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Part 1

Editor in Chief
William Z. Slany

Editors
David M. Baehler John A. Bernbaum
Ronald D. Landa Lisle A. Rose
Charles S. Sampson David H. Stauffer

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PREFACE

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. The volumes in the series include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign policy decisions of the United States together with appropriate materials concerning the facts which contributed to the formulation of policies. Documents in the files of the Department of State are supplemented by papers from other Government agencies involved in the formulation of foreign policy.

The basic documentary diplomatic record printed in the volumes of the series *Foreign Relations of the United States* is edited by the Office of the Historian, Bureau of Public Affairs, Department of State. The editing is guided by the principles of historical objectivity and in accordance with the following official guidance first promulgated by Secretary of State Frank B. Kellogg on March 26, 1925.

There may be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

> a. To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.
>
> b. To condense the record and avoid repetition of needless details.
>
> c. To preserve the confidence reposed in the Department by individuals and by foreign governments.
>
> d. To avoid giving needless offense to other nationalities or individuals.
>
> e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternative presented to the Department before the decision was made.

Documents selected for publication in the *Foreign Relations* volumes are referred to the Department of State Classification/Declassification Center for declassification clearance. The Center reviews the documents, makes declassification decisions, and obtains the clearance of geographic and functional bureaus of the Department of State, as well as of other appropriate agencies of the government. The Center, in coordination with the geographic bureaus of the Department of State, conducts communications with foreign governments regarding documents or information of those governments proposed for inclusion in *Foreign Relations* volumes.

William Z. Slany supervised the preparation of this volume. He was assisted in the initial planning and preparation by John A. Bernbaum and in the later stages by Charles S. Sampson. David M. Baehler prepared the compilations on United States policy toward Scandinavia, Iceland, Portugal, and Spain; John A. Bernbaum those on the economic and political integration of Western Europe, the agricultural integration of Western Europe, the chiefs of mission meetings, and France. Ronald D. Landa compiled the sections on Italy and the Vatican; Lisle A. Rose that on the Mutual Security Program for Europe. Charles S. Sampson prepared the compilation on the United Kingdom and David H. Stauffer those on Ireland and Canada.

Vicki E. Futscher of the Documentary Editing Section performed technical editing under the supervision of Rita M. Baker in the Publishing Services Division (Paul M. Washington, Chief). The Twin Oaks Indexing Collective prepared the index.

WILLIAM Z. SLANY
The Historian
Bureau of Public Affairs

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Editor's Note: This list does not include standard abbreviations in common usage; unusual abbreviations of rare occurrence which are clarified at appropriate points; and, those abbreviations and contractions which, although uncommon, are understandable from the content.

AC, Azione Cattòlica (Catholic Action)
Actel, series indicator for telegrams from Secretary of State Acheson while away from Washington
AC and W, Air Communications and Weather (Group), United States Navy
AD/E, Office of the Assistant Director for Europe, Mutual Security Agency
ADN, Allianza Democratica Nazionale (National Democratic Alliance)
AD/S, Office of the Assistant Director for Supply, Mutual Security Agency
AEW, atomic energy warfare
AFL, American Federation of Labor
AFP, Agence France Presse
AGIP, Azienda Generale Italiana di Petroli (Italian General Petroleum Agency)
AHA, *Ad Hoc* Assembly
AIOC, Anglo-Iranian Oil Company
AMG, Allied Military Government
AMS, Auxiliary Minesweeper
AR, Annual Review
ARAMCO, Arabian-American Oil Company
ARS, Action Républicaine et Sociale, French political party
ASIC, Associated States of Indochina
ASNE, American Society of Newspaper Editors
BC, British Columbia
BNA, Office of British Commonwealth and Northern European Affairs, Department of State
B/P, balance of payments
BUSHIPS, Bureau of Ships, Department of the Navy
CA, circular airgram
CA, Consultative Assembly
CARE, Committee for American Relief for Europe
CCC, Commodity Credit Corporation, Department of Agriculture
CCS, Combined Chiefs of Staff
CD, Christian Democrat; Christian Democratic Party; Council Deputies
CDU, Christlich-Demokratische Union (Christian Democratic Union)
CE, Council of Europe
CERP, Current Economic Reporting Program
CFM, Council of Foreign Ministers
CFTC, Confédération Française des Travailleurs Chrétiens (French Confederation of Christian Workers)
CGIL, Confederazione Generale Italiana del Lavoro (General Confederation of Italian Labor)
CGT, Confédération Générale du Travail (General Confederation of Labor)
CIA, Central Intelligence Agency
CINCEUR, Commander in Chief, Europe
CINCNORTH, Commander in Chief, Northern Area
CIO, Congress of Industrial Organizations
circr, circular
CISL, Confederazione Italiana dei Sindicati Lavoratori (Italian Confederation of Workers' Unions)
CISNAL, Confederazione Italiana dei Sindicati Nazionale Lavoratori (Italian Confederation of National Unions)
CM, Committee of Ministers
CNO, Chief of Naval Operations
COCOM, Coordinating Committee
Codel, telegram series indicator for Congressional delegation travel
C of E, Council of Europe
Coled, series indicator for telegrams from the Office of the United States Observer to the Interim Committee of the European Defense Community and the United States Representative to the European Coal and Steel Community

Cominform, Communist Information Bureau

Confindustria, Confederation of Italian Industry

Contel, Consulate telegram

Cotel, Country Team telegram

CP, Communist Party

CPF, Communist Party in France

CPR, Chinese People's Republic

CSC, Coal and Steel Community

CUSSAT, Canada–United States Scientific Advisory Team

CY, calendar year

DA, Department of Army

DADCMI, Department of the Army policy for disclosure of classified military information

DC, Democrazia Cristiana (Christian Democratic Party)

Def, Department of Defense

DefMin, Defense Minister; Defense Ministry

Defto, series indicator for telegrams to the Department of Defense

Depcirtel, Department of State circular telegram

Deptel, Department of State telegram

Depto, series indicator for telegrams from the Office of the United States Deputy Representative on the North Atlantic Council, at London

DEW, distant early warning (line)

DM, Deutsche Mark

DMPA, Defense Materials Procurement Agency

DMS, Director for Mutual Security

DOD, Department of Defense

DOT, dependent overseas territories

DPA, Defense Production Administration

DPB, Defense Production Board

DPC, Defense Production Committee

DRS, Division of Research for the USSR and Eastern Europe, Department of State

DRW, Division of Research for Western Europe, Department of State

Dulte, series indicator for telegrams from Secretary of State Dulles while away from Washington

E, Assistant Secretary of State for Economic Affairs, Bureau of Economic Affairs

EAD, Eastern Affairs Division, Berlin Element, HICOG

ECA, Economic Cooperation Administration

ECE, Economic Commission for Europe

EDC, European Defence Community

Edcol, series indicator for telegrams to the Office of the United States Observer to the Interim Committee of the European Defense Community and to the United States Representative to the European Coal and Steel Community

EDF, European Defense Force

Embdes, Embassy despatch

Emboff, Embassy officer

Embtel, Embassy telegram

ENI, Ente Nazionale degli Idrocarburi (National Hydrocarbon Trust)

EPC, European Political Community

EPU, European Payments Union

ERS, European Regional Staff, Office of the Assistant Director for Europe, Mutual Security Agency

EUCOM, European Command, United States Army

EUR, Bureau of European Affairs, Department of State

EXIM, Export-Import (Bank)

FAO, French agricultural organizations

FBI, Federal Bureau of Investigation

FCN, Friendship, Commerce, and Navigation (Treaty)

FE, Far East

FEB, Financial Economic Board

FedRep, Federal Republic of Germany

Fiat, Fabrico Italiana degli Automobili Torino, Italian automobile company

FILM, Federazione Italiana Lavoratori del Mare (Federation of Italian Seamen)

FILP, Federazione Italiana Lavoratori dei Porti (Federation of Italian Port Workers)

FINSIDER, Societa Finanziaria Siderurgica (Italian Iron and Steel Finance Corporation)

FIOM, Federazione Italiana Operai Metallurgici (Federation of Italian Steelworkers)

FNSEA, Fédération Nationale des Syndicats d'Exploitants Agricoles (National Federation of Farmers' Unions)

FO, Force Ouvrière (Workers Force)

FOA, Foreign Operations Administration

FOB, freight on board

FonAff, Foreign Affairs

FonMin, Foreign Minister, Foreign Ministry

FonOff, Foreign Office

FPC, Federal Power Commission

FPT, French political talks

FRC, Federal Records Center

FS, Foreign Service
FTT, Free Territory of Trieste
FY, fiscal year
FYI, for your information
G-2, United States Army Intelligence
GA, General Assembly, United Nations
GATT, General Agreement on Tariffs and Trade
GER, Bureau of German Affairs or Office of German Affairs, Department of State
Globecom, the United States Air Force system for long-range, point-to-point and air-to-ground communications
GMT, Greenwich Mean Time
GNP, gross national product
GOI, Government of India
GSA, General Services Administration
HA, High Authority
HICOG, United States High Commissioner for Germany
HICOM, High Commission(er)
HK, Hong Kong
HMG, Her (His) Majesty's Government
HQUSAF, Headquarters, United States Air Force
IAC, Intelligence Advisory Committee
IAR, International Authority for the Ruhr
IBRD, International Bank for Reconstruction and Development (World Bank)
IC, Indochina
ICFTU, International Confederation of Free Trade Unions
ID, Iniziativa Democratica (Democratic Initiative, a leftist corrente (current) within the Italian Christian Democratic Party)
IDF, Icelandic Defense Force
IFAP, International Federation of Agricultural Producers
IIA, International Information Administration
IJC, International Joint Commission
ILC, International Law Commission, United Nations
ILO, International Labor Organization
IMC, International Materials Conference
IMI, Istituto Mobiliare (Institute for Italian Mobilization)
IND, Industry Division, Office of the Assistant Director for Supply, Mutual Security Agency
INS, International News Service
IRI, Istituto per la Ricostruzione Industriale (Institute for Industrial Reconstruction)
IS, International Staff, North Atlantic Treaty Organization
ISA, Office of the Assistant Secretary of Defense for International Security Affairs
ITO, International Trade Organization
JAMAG, Joint American Military Advisory Group
JCS, Joint Chiefs of Staff
JMST, Joint Military Survey Team
JUSMG, Joint United States Military Group
LAM, London Ambassadors Meeting
L/E, Office of the Assistant Legal Advisor for Economic Affairs, Department of State
Legtal, Legation telegram
LNC, Laga Nazionale delle Cooperative e delle Mutue (National League of Cooperatives and Loans)
LOC, line of communications
Lofar, low frequency analysis and recording
MAAC, Mutual Assistance Advisory Committee
MAAG, Military Assistance Advisory Group
MAAG/IT, Military Assistance Advisory Group/Italy
MAAG/UK, Military Assistance Advisory Group/United Kingdom
MAP, military assistance program
MATS, Military Air Transport Service
MC, Military Committee, North Atlantic Treaty Organization
MDA(P), Mutual Defense Assistance (Program)
ME, Middle East
MEATO, Middle East Area Theatre of Operations
MEC, Middle East Command
MEDO, Middle East Defense Organization
METO, Middle East Treaty Organization
MFE, Movimento Federalista Europeo (European Federalist Movement)
MFT, Mendès-France talks
MilAtt, Military Attaché
MINAG, Minister of Agriculture, Ministry of Agriculture
MINDEF, Minister of Defense, Ministry of Defense
MOD, Ministry of Defense
MP, military police
MRC, Military Representatives Committee, North Atlantic Treaty Organization

MRP, Mouvement Républicain Populaire, French political party
MS, Mutual Security
MSA, Mutual Security Agency, Mutual Security Act
MSA/E, Mutual Security Agency/Europe
MSAP, Mutual Security Agency Program
MSA/W, Mutual Security Agency/Washington
MSG, Military Study Group
MSI, Movimento Sociale Italiano (Italian Social Movement)
MSP, Mutual Security Program
MTDP, Medium Term Defense Plan
Musto, series indicator for telegrams from the Mutual Security Agency to its overseas missions
Mytel, my telegram
NAC, National Advisory Council, North Atlantic Council
NAT(O), North Atlantic Treaty (Organization)
NATO AR, North Atlantic Treaty Organization Annual Review
NAOR, North Atlantic Ocean Region
NCO, noncommissioned officer
NEA, Bureau of Near Eastern, South Asian, and African Affairs, Department of State
niact, night action, communication indicator requiring attention by the recipient at any hour of the day or night
NIE, National Intelligence Estimate
noforn, no foreign dissemination
Norep, series indicator for telegrams from Oslo and Paris dealing with negotiations between the United States and Norway for Strategic Air Command bases
NSC, National Security Council
NZ, New Zealand
OAS, Organization of American States
OCB, Operations Coordinating Board
ODM, Office of Defense Mobilization
OEEC, Organization for European Economic Cooperation
OSAF, Office of the Secretary of the Air Force
OSD, Office of the Secretary of Defense
OSP, offshore procurement
OSR, Office of the Special Representative in Europe
P, Assistant Secretary of State for Public Affairs
PAF C/S, Portuguese Air Force Chief of Staff
PAO, Public Affairs Officer
PC, participating country
PCF, Partie Communiste Français (French Communist Party)
PCI, Partito Communista Italiano (Italian Communist Party)
PJBD, Permanent Joint Board on Defense—United States and Canada
PLI, Partito Liberale Italiano (Italian Liberal Party)
PM, Prime Minister
PMP, Partito Monarchico Populare (Popular Monarchist Party)
PNM, Partito Nazionale Monarchico (National Monarchist Party)
POC, Peace Observation Commission
POL, petroleum, oil and lubricants
Polto, series indicator for telegrams from the U.S. Special Representative in Europe, June 1953; thereafter, from the Office of the U.S. Permanent Representative on the North Atlantic Council
PRI, Partito Republicano Italiano (Italian Republican Party)
PriMin, Prime Minister
PSA, Office of Philippine and Southeast Asian Affairs, Department of State
PSB, Psychological Strategy Board
PSDI, Partito Socialista Democratico Italiano (Italian Democractic Socialist Party)
PSI, Partito Socialista Italiana (Italian Socialist Party)
PSLI, Partito Socialista dei Lavoratori Italiana (Italian Workers' Socialist Party
PSU, Partito Socialista Unitario (United Socialist Party)
PTAD, Productivity and Technical Assistance Division, Office of the Assistant Director for Supply, Mutual Security Agency
QR, quota (quantitative) restriction
RA, Office of European Regional Affairs, Department of State
RAF, Royal Air Force
RAI, Radio Audizioni Italiani (Italian Radio Broadcasting System)
RCAF, Royal Canadian Air Force
Reftel, reference telegram
RENFE, Red Nacional de Ferrocarriles del Estado, Spanish Railroad Administration
Repno, series indicator for telegrams to Oslo and Paris dealing with negotiations between the United States and Norway for Strategic Air Command bases

Repto, series indicator for telegrams from the U.S. Special Representative in Europe to the Economic Cooperation Administration

resdel, resident delegation

RIF, reduction in force

ROK, Republic of Korea

RPF, Rassemblement du Peuple Français, French political party

RSA, rest of the sterling area

S/AE, Special Assistant to the Secretary of State for Atomic Energy Matters

S/ISA, Special Assistant to the Secretary of State for International Security Affairs

S/MSA, Special Assistant to the Secretary of State for Mutual Security Affairs

S/P, Policy Planning Staff, Department of State

S/S, Executive Secretariat, Department of State

SA, sterling area

SAC, Strategic Air Command

SACEUR, Supreme Allied Commander, Europe

SACLANT, Supreme Allied Commander, Atlantic

SC, Security Council, United Nations

SCAP, Supreme Commander, Allied Powers

SCEM, Signing Ceremonies in Europe, May (1952)

SCS, Screening and Costing Staff, North Atlantic Treaty Organization

SE, Special Estimate

SEA, Southeast Asia

SEATO, Southeast Asia Treaty Organization

SecGen, Secretary-General

Secto, series indicator for telegrams to the Department of State from the Secretary of State (or his delegation) at international conferences

SG, Standing Group

SHAEF, Supreme Headquarters, Allied Expeditionary Force

SHAPE, Supreme Headquarters, Allied Powers, Europe

SNCF, Société Nationale des Chemins de Fer Français (National Association of French Railways)

SNECMA, Société Nationale d'Etude et Construction de Moteurs d'Aviation (National Company for the Study and Construction of Aviation Engines)

SOF, status of forces

SPD, Sozialdemokratische Partei Deutschlands (German Social Democratic Party)

SRE, Special Representative in Europe

SUSRep, Senior United States Representative

TA, technical assistance; trade agreement

TCA, Technical Cooperation Administration

TCC, Temporary Council Committee

TCT, Truman–Churchill talks

Tedul, series indicator for telegrams to Secretary of State Dulles while away from Washington

Telac, series indicator for telegrams to Secretary of State Acheson while away from Washington

Todep, series indicator for telegrams to the Office of the United States Deputy Representative on the North Atlantic Council, at London

Toeca, series indicator for telegrams to the Economic Cooperation Administration

Tomus, series indicator for telegrams to the Mutual Security Agency

Topol, series indicator for telegrams to the U.S. Deputy Representative to the North Atlantic Council

Torep, series indicator for telegrams to the U.S. Special Representative in Europe, at Paris, from the Economic Cooperation Administration

Tosec, series indicator for telegrams from the Department of State to the Secretary of State (or his delegation) at international conferences

Tousfo, series indicator for telegrams and airgrams to the Foreign Operations Administration

UDSR, Union Démocratique et Socialiste de la Résistance, French political party

UIL, Unione Italiana del Lavoro (Italian Union of Labor)

UKPT, United Kingdom political talks

UN, United Nations

UNISCAN, United Kingdom-Ireland-Scandinavia

UNO, United Nations Organization

UP, Unità Populare, Italian political party

URAS, Union des Républicains et d'Action Sociale, French political party

urtel, your telegram

USA, United States Army

USAF(E), United States Air Force (Europe)

USAREUR, United States Army, Europe

USCINCEUR, United States Commander in Chief, Europe

USDA, United States Department of Agriculture

USDel, United States Delegation

Usfoto, series indicator for telegrams and airgrams from the Foreign Operations Administration

USI, Unione Socialista Italiana (Union of Italian Socialists)

USIA, United States Information Agency

USIE, United States Information and Educational Exchange Program

USIS, United States Information Service

USN, United States Navy

Usneg, series indicator for telegrams and despatches dealing with the United States-Spanish base negotiations

USOM, United States Operations Mission

USRO, United States Mission to the North Atlantic Treaty Organization and European Regional Organizations

VOA, Voice of America

VOR, omni-range navigation

WE, Western Europe; Office of Western European Affairs, Department of State

Weeka, series indicator for weekly, interagency summary analysis telegrams from United States diplomatic missions

WET, Washington economic talks

WEU, Western European Union

LIST OF PERSONS

EDITOR'S NOTE: The identification of the persons in this list is limited to circumstances and positions under reference in this volume. Historical personages alluded to in the volume and certain minor officials are not identified. All titles and positions are American unless there is an indication to the contrary.

ACHESON, Dean, Secretary of State, January 19, 1949–January 20, 1953.

ACHILLES, Theodore C., U.S. Vice Deputy Representative on the North Atlantic Council from October 3, 1950; Deputy Chief of Mission of the Embassy in France from April 1, 1952; Chief of Mission from September 18, 1952; Minister of the Embassy in France from October 25, 1954.

ADENAUER, Konrad, Chancellor of the Federal Republic of Germany from September 1949; in addition, Minister of Foreign Affairs of the Federal Republic from March 1951.

AIKEN, Frank, Irish Minister of Foreign Affairs until June 1954.

ALDRICH, Winthrop W., Ambassador in the United Kingdom, February 20, 1953–February 1, 1957.

ALEXANDER OF TUNIS, Harold, R.L.G., Field Marshal and Earl, British Minister of Defense, March 1, 1952–October 18, 1954.

ALLEN, William Denis, Head of the Central Department in the British Foreign Office; from May 1953 Assistant Under Secretary of State for Foreign Affairs.

ALLISON, John N., Assistant Secretary of State for Far Eastern Affairs, February 1, 1952–April 1953; after May 28, 1953, Ambassador in Japan.

ALPHAND, Hervé, French Deputy Representative on the North Atlantic Council until September 1954.

ANDERSON, Hans G., Legal Adviser in the Icelandic Foreign Office; Icelandic Permanent Representative on the North Atlantic Council, 1954.

ANDERSON, Daniel V., First Secretary of the Embassy in Spain, December 26, 1950–June 5, 1952.

ANDERSON, Frederick L., Deputy Special Representative in Europe at Paris after March 13, 1952.

ANDERSON, H. Eugenie, Ambassador in Denmark, December 22, 1949–January 19, 1953.

ANDERSON, Robert B., Deputy Secretary of Defense, May 3, 1954–August 4, 1955.

ANDERSON, Samuel W., Assistant Secretary of Commerce for International Affairs.

ANDREWS, George D., Consul at Strasbourg from March 15, 1950.

ANTIER, Paul, Deputy in the French National Assembly from 1946; Minister of Agriculture, August 1951–January 1952.

ARBURUA DE LA MIYAR, Manuel, Spanish Minister of Commerce after July 1951; President of the Interministerial Coordinating Commission for the distribution of funds available from the economic aid agreements concluded in September 1953.

AREILZA, Jose Maria de, Spanish Ambassador in the United States from November 6, 1954.

AREY, Hawthorne, Assistant Director of the Export-Import Bank.

ARGUELLES Y ARMADA, Jaime, Spanish Under Secretary of Foreign Economy after July 1952; Vice President of the Interministerial Coordinating Commission for the distribution of funds available from the economic aid agreement concluded in September 1953.

Armstrong, W. Park, Jr., Special Assistant for Intelligence, Department of State from June 1950.

Arneson, R. Gordon, Special Assistant to the Secretary of State for Atomic Energy Affairs until April 11, 1954; thereafter Deputy Science Adviser.

Artajo, Alberto Martín. *See* Martín Artajo, Alberto.

Arth, Maurice P., Program Officer for European Affairs in the Office of the Director for Mutual Security until December 1953; thereafter Chief of the Military Section, Office of the Deputy Director for Program and Planning, Foreign Operations Administration.

Asher, Robert E., Special Assistant to the Assistant Secretary of State for Economic Affairs from October 15, 1951.

Auriol, Vincent, President of France, January 16, 1947–January 15, 1954.

Barbour, Walworth, Director of the Office of Eastern European Affairs, Department of State, July 25, 1951–May 26, 1954; thereafter Deputy Assistant Secretary of State for European Affairs.

Barnett, Robert W., Officer in Charge of Economic Affairs, Office of Western European Affairs, November 9, 1952–November 20, 1954; thereafter Officer in Charge of Economic Organization Affairs, Office of European Regional Affairs, Department of State.

Batt, William L., Chief of the Economic Cooperation Administration Mission in the United Kingdom from October 5, 1950; Chief of the Mutual Security Agency Mission in the United Kingdom, January–September 1952.

Battle, Lucius D., Special Assistant to the Secretary of State from June 26, 1951; Foreign Affairs Officer in the Office of the Special Assistant to the Secretary of State for Mutual Security Affairs after October 13, 1952; Attaché in Denmark after January 30, 1953; First Secretary in Denmark after July 26, 1954.

Baum, Warren, Economist, European Regional Staff, Mutual Security Agency until January 1953.

Bay, Charles U., Ambassador in Norway until July 31, 1953.

Beale, Wilson T.M., Jr., Officer in Charge of Economic Affairs, Office of British Commonwealth and Northern European Affairs, April 15, 1951–July 20, 1952; thereafter Officer in Charge of United Kingdom and Ireland Affairs, Office of British Commonwealth and Northern European Affairs.

Beaumont, Guerin Jean Michel, Secretary of State for Foreign Affairs in the French Ministry of Foreign Affairs after June 1954.

Bech, Joseph, Luxembourg Minister of Foreign Affairs, Foreign Commerce and National Defense from 1951; Prime Minister after December 29, 1953.

Beigel, Edgar J., Office of Western European Affairs, Department of State from December 10, 1951.

Bell, John H., Colonel, U.S. Air Force; Executive Officer in the Office of the Under Secretary of the Air Force, 1952.

Bell, John O., Counselor of Embassy in Denmark, December 10, 1951–January 21, 1955.

Benediktsson, Bjarni, Icelandic Minister of Foreign Affairs until September 13, 1953.

Benson, Ezra Taft, Secretary of Agriculture after January 21, 1953.

Berger, Samuel D., Special Assistant to the Director for Mutual Security until February 1953; Counselor of Embassy in Japan until May 1954; thereafter Counselor of Embassy in New Zealand.

Berry, Burton Y., Acting Assistant Secretary of State for Near Eastern Affairs until June 1952.

BEYEN, Johan W., Netherlands Minister of Foreign Affairs, September 1, 1952–October 11, 1955 (position held jointly with Joseph Luns).

BIDAULT, Georges, French Minister of National Defense, August 1951–March 1952; Deputy Prime Minister and Minister of National Defense, 1952; French Minister of Foreign Affairs, January 8, 1953–June 19, 1954.

BIDDLE, Gen. A.J. Drexel, Jr., Executive Officer in Supreme Headquarters, Allied Powers, Europe, 1951–1953; thereafter Special Assistant to the Chief of Staff, U.S. Army.

BISSEL, Richard M., Acting Administrator of the Economic Cooperation Administration after September 1951; Deputy Director of the Mutual Security Agency, January 14–18, 1952; thereafter Consultant to the Director for Mutual Security.

BLANK, Theodor, unofficial personal adviser to German Chancellor Konrad Adenauer; *Rapporteur* for the Federal Republic of Germany for talks with the Allied High Commission regarding German financial contributions to Western defense after December 1951.

BLANKENHORN, Herbert A.H., Director of the Political Affairs Section of the German Federal Republic's Ministry of Foreign Affairs after March 13, 1951.

BLISS, Don Carroll, Counselor of Embassy in Canada with rank of Minister after January 5, 1950.

BLUM, Robert, Assistant Deputy for Economic Affairs, Office of the Special Representative in Europe at Paris after November 3, 1951.

BOHLEN, Charles E. (Chip), Counselor of the Department of State, March 13, 1951–March 26, 1953; member of the Senior Staff of the National Security Council after July 1951; Ambassador in the Soviet Union after March 27, 1953.

BONBRIGHT, James C.H., Deputy Assistant Secretary of State for European Affairs from June 27, 1950; Special Assistant to the Permanent Representative in Europe at Paris, April 1954–January 1955.

BONNET, Henri, French Ambassador in the United States after January 1, 1945.

BONSAL, Philip W., Counselor, with the personal rank of Minister of the Embassy in France, November 14, 1950–March 20, 1952; thereafter Director of the Office of Philippine and Southeast Asian Affairs until February 10, 1955.

BOOCHEVER, Louis C., Jr., Financial Economist in the Office of European Regional Affairs, Department of State, from June 26, 1950; International Relations Officer in the Office of European Regional Affairs after April 13, 1952.

BORIS, Georges, Chargé de Mission in the Personal Cabinet of French Prime Minister Pierre Mendès-France after June 1954.

BOURGÈS-MAUNOURY, Maurice, Deputy in the French National Assembly after 1946; French Minister of Armaments and Minister of Finance, March 1952–January 1953; French Minister of Industry and Commerce, June 1954–February 1955.

BOWIE, Robert R., Director of the Policy Planning Staff after May 18, 1953.

BRADLEY, General of the Army Omar N., Chairman of the Joint Chiefs of Staff until August 14, 1953.

BRENTANO, Heinrich von, Chairman of the Christlich Demokratische Union, Christlich Soziale Union (Christian Democratic Union, Christian Social Union) party coalition in the Bundestag after September 1949; German Representative to the Common Assembly of the European Coal and Steel Community and German Representative to the Consultative Assembly of the Council of Europe.

BRONZ, George, Special Assistant to the General Counsel to the Department of the Treasury.

BROWN, Aaron S., Counselor of Embassy in Portugal after December 17, 1953.

BROWN, Winthrop G., Director of the Office of International Materials Policy after November 21, 1951; Counselor of Embassy in the United Kingdom after August 20, 1952; Deputy Director of Operations Mission in the United Kingdom, 1954.

BRUCE, David K.E., Ambassador in France, May 9, 1949–March 10, 1952; Observer at the Conference for the Organization of a European Defense Community after February 1951; Under Secretary of State, April 1, 1952–January 20, 1953; Consultant to the Secretary of State until February 19, 1953; thereafter Observer to the Interim Committee of the European Defense Community and Representative to the European Coal and Steel Community.

BRUCKER, Wilber M., General Counsel of the Department of Defense, 1954–1955.

BUCKLEY, Oliver E., Chairman of the U.S. Science Advisory Committee, 1952.

BUNKER, Ellsworth, Ambassador in Italy, May 7, 1952–April 3, 1953.

BURGESS, W. Randolph, Deputy to the Secretary of the Treasury, 1953–1954; after August 3, 1954, Under Secretary of the Treasury for Monetary Affairs.

BURIN DES ROZIERS, Etienne, Technical Counselor in the Cabinet of French Prime Minister René Mayer, January–June 1953.

BURROWS, Bernard A.B., Counselor of the British Embassy in the United States, January 1950–July 1953.

BUTLER, Richard Austen, British Chancellor of the Exchequer, October 1951–December 1955.

BUTTERWORTH, W. Walton, Ambassador in Sweden, September 18, 1950–December 9, 1953; Deputy Chief of Mission of the Embassy in the United Kingdom, December 10, 1953–January 30, 1956.

BYINGTON, Homer M., Jr., Director of the Office of Western European Affairs, Department of State, June 30, 1950–August 1, 1953; thereafter Counselor of Embassy in Spain.

BYRNS, Kenneth A., Office of British Commonwealth and Northern European Affairs, Department of State, until August 2, 1952.

BYROADE, Henry A., Director of the Bureau of German Affairs from November 1, 1949; Assistant Secretary of State for Near Eastern, South Asian, and African Affairs after April 14, 1952.

CABOT, John M., Ambassador in Sweden after May 6, 1954.

CABOT, Robert M., Program Officer for European Affairs in the Office of the Director for Mutual Security, 1951–1952.

CACCIA, Sir Harold A., British Deputy Under Secretary of State for Foreign Affairs after February 1954.

CAMM, Frank, Brigadier General, U.S. Army; Chief of the Military Assistance Advisory Group in Porturgal, 1952.

CAMP, Miriam, Officer in Charge of Economic Organization Affairs, Office of European Regional Affairs, Department of State, after January 7, 1951.

CANNON, Cavendish W., Ambassador in Portugal, June 2, 1952–August 1, 1953.

CARNEY, Robert B., Admiral, U.S. Navy, Commander in Chief, Allied Forces, Southern Europe, June 1951–May 1953; thereafter Chief of Naval Operations and Member of the Joint Chiefs of Staff.

CARRIGAN, John W., Counselor of Embassy in Portugal from July 1, 1951; Consul at Dhahran after January 6, 1954.

CASEY, Richard G., Australian Minister of External Affairs.

CATTANI, Attilio, Italian Representative to, and President of the Executive Committee of the Organization for European Economic Cooperation, 1952–1955.

CHABAN-DELMAS, Jacques, Deputy in the French National Assembly after 1946; French Minister of Labor, June 1954–February 1955.

CHAPIN, Selden, Ambassador in the Netherlands, October 27, 1949–October 30, 1953.

CHERWELL, Lord (Frederick Alexander Lindemann), British Paymaster General and Advisor to Prime Minister Churchill on atomic energy affairs.

CHEVRIER, Lionel, Canadian Minister of Transport; after July 1, 1954, President of the St. Lawrence Seaway Authority.

Chiang Kai-shek, Generalissimo, President of the Republic of China.

Chou En-lai, Premier of Government Administration Council (from September 1954, State Council) and Minister of Foreign Affairs, People's Republic of China; in 1954, Head of the People's Republic of China Delegation to the Geneva Conference.

Christensen, William H., Second Secretary of Embassy in Ireland after December 22, 1949; Office of British Commonwealth and Northern European Affairs, Department of State after September 3, 1952.

Christiansen, James G., Major General, Chief of the Military Assistance Advisory Group in Italy, 1953-1954.

Churchill, Winston S. (Sir Winston, from April 24, 1953), Prime Minister of the United Kingdom and First Lord of the Treasury, October 26, 1951-April 6, 1955; also British Minister of Defence, October 1951-January 1952.

Cicognani, Most Reverend Amleto Giovanni; Titular Archbishop of Laodicea di Frigia; Apostolic Delegate to the United States, 1933-1958.

Clarke, William, Correspondent for the London *Observer*.

Claxton, Brooke, Canadian Minister of National Defense until July 1, 1954.

Clermont-Tonnerre, Thiery de, Secretary General of the French Interministerial Committee for questions relating to European economic cooperation, after 1951.

Cleveland, Harlan, Assistant Director for Europe in the Mutual Security Agency.

Cleveland, Robert G., Office of European Regional Affairs, Department of State, October 1952-January 1954; thereafter Consul at Sidney, Australia.

Cleveland, Stanley M., Consul in the Embassy in France after February 21, 1952.

Coe, Robert D., Officer in Charge of United Kingdom and Ireland Affairs, Office of British Commonwealth and Northern European Affairs, Department of State, until June 1952; Ambassador in Denmark, September 25, 1953-June 1, 1957.

Cole, W. Sterling, Republican Representative from New York until January 1953; Chairman of the House of Representatives Joint Committee on Atomic Energy.

Collins, James Lawton, Major General, U.S. Army; Chief of Staff, U.S. Army, August 16, 1949-August 14, 1953; thereafter Representative on the North Atlantic Treaty Organization Military Committee and on the North Atlantic Treaty Organization Standing Group.

Collins, V. Lansing, Jr., Officer in Charge of Italian and Austrian Affairs, Office of Western European Affairs, Department of State, after September 6, 1950; detailed to the National War College August 15, 1953; First Secretary and Consul at the Embassy in Italy after June 20, 1954.

Conant, James B., President of Harvard University; High Commissioner for Germany after February 7, 1953.

Connally, Tom, Democratic Senator from Texas and Chairman of the Senate Foreign Relations Committee until January 1953.

Connor, Vois H., Colonel, U.S. Army; Chief of the Administrative and Liaison Division of the Office of the Assistant to the Secretary of Defense for International Security Affairs, 1951-1952.

Coppé, Albert, Vice President of the High Authority of the European Coal and Steel Community after July 1952.

Corbett, Jack C., Director of the Office of Financial and Development Policy, Bureau of Economic Affairs, Department of State, after March 27, 1952.

Cosgrave, Liam, Irish Minister of External Affairs after June 2, 1954.

Costello, John A., Irish Prime Minister, 1948-1951; Prime Minister and Head of the Government of Eire after June 2, 1954.

Coty, René President of France after December 23, 1953.

Cowen, Myron M., Ambassador in Belgium, June 11, 1952-June 8, 1953.

Crawford, William A., First Secretary of the Embassy in France, February 21, 1952–August 4, 1954.

Cunha, Paulo Arsenio Virissimo, Portuguese Minister of Foreign Affairs after August 2, 1950.

Cutler, Robert, Administrative Assistant to President Eisenhower from January 20, 1953; Special Assistant to the President for National Security Affairs, March 23, 1953–April 1, 1955.

Daum, Léon, Member of the High Authority of the European Coal and Steel Community, April 1952–June 1953.

Davis, Vice Admiral Arthur C., U.S. Navy; Deputy Assistant Secretary of Defense for International Security Affairs after August 1954.

Debre, Michel, French Representative to the Consultative Assembly of the Council of Europe; French Representative to the Common Assembly of the European Coal and Steel Community.

De Gasperi, Alcide, Italian Prime Minister and Minister of Foreign Affairs, July 1951–August 1953; Secretary of the Italian Christian Democratic Party September 1953–July 1954.

De Gaulle, Charles, President of the Rassemblement du Peuple Français, 1947–1954.

Dehousse, Fernand, Belgian Representative to the Consultative Assembly of the Council of Europe; Belgian Representative to the European Coal and Steel Community.

De Menthon, François, Acting President of the Consultative Assembly of the Council of Europe.

De Paul, N. Carter, Mutual Security member of the Mutual Assistance Advisory Committee Working Group on Spain after December 1951; Chief of the Mediterranean Branch of the European Program Division in the Office of the Assistant Director for Europe of the Mutual Security Agency, 1952; on temporary duty with the Mutual Security Agency Working Group in Spain (Economic Group in Spain) after April 1952.

De Staercke, André, Belgian Deputy Representative on the North Atlantic Council after 1951.

DeValera, Eamon, Irish Prime Minister, Head of the Government of the Irish Republic until June 2, 1954.

Dillon, C. Douglas, Ambassador in France, March 13, 1953–January 28, 1957.

Dixon, Sir Pierson John, British Deputy Under Secretary of State for Foreign Affairs after June 5, 1950, and British Representative on the Brussels Treaty Permanent Commission.

Dodge, Joseph M., Director of the Bureau of the Budget, January 21, 1953–April 15, 1954.

Donnelly, Walter J., Ambassador in Austria, November 28, 1951–July 19, 1952; High Commissioner for Germany until January 1952.

Dorr, Russell H., Economic Commissioner in the Office of the Special Representative in Europe at Paris after June 6, 1952.

Douglas, Lewis W., Ambassador in the United Kingdom, until November 16, 1950.

Draper, William H., Jr., Special Representative in Europe after January 18, 1952; Representative on the North Atlantic Council, April 1952–June 1953.

Drees, Willem, Netherlands Prime Minister and Minister of General Affairs, August 6, 1948–December 22, 1958.

Dulles, Allen, Deputy Director of Central Intelligence after August 1951; Director of Central Intelligence after January 1953.

Dulles, John Foster, Consultant to Secretary of State, April 1950–April 1952; after January 21, 1953, Secretary of State.

Dunham, William B., Office of Western European Affairs, Department of State, October 1951-December 1954; Chairman of the Mutual Assistance Advisory Committee Working Group on Spain after December 1951.

Dunn, James Clement, Ambassador in Italy, February 6, 1947-March 27, 1952; Ambassador in France until March 2, 1953; Ambassador in Spain, April 9, 1953-February 1955.

Durbrow, Elbridge, Chief, Division of Foreign Service Personnel, Department of State from July 17, 1950; Counselor of Embassy in Italy after July 14, 1952.

Eden, Anthony, British Secretary of State for Foreign Affairs, October 27, 1951-April 5, 1955.

Einaudi, Luigi, President of the Italian Republic, May 1948-April 1955.

Eisenberg, Robert, Economist in the Embassy in France from December 1, 1952; Economic Officer in the Office of the Special Representative to the European Coal and Steel Community after February 19, 1953.

Eisenhower, General of the Army Dwight D., Supreme Allied Commander in Europe, April 2, 1951-May 30, 1952; President of the United States after January 20, 1953.

Elbrick, Charles Burke, Deputy Assistant Secretary of State for European Affairs after December 16, 1953.

Elliot, Sir William, Marshal of the Royal Air Force; Chairman, British Joint Services Mission in the United States; British Representative on the North Atlantic Treaty Organization Standing Group after April 1951.

Ely, Paul, General, French Army; French Member of the Military Committee of the North Atlantic Treaty Organization after August 1953; French High Commissioner and Commander-in-Chief of French Forces in Indochina after June 3, 1954.

Erlander, Tage, Prime Minister of Sweden from October 10, 1947.

Etzel, Franz, Vice President of the High Authority of the European Coal and Steel Community.

Fanfani, Amintore, Italian Minister of Agriculture until June 1953; Minister of the Interior, July 1953-January 1954; Prime Minister of Italy, January-February 1954; Christian Democratic Member of Parliament, leader of Iniziativa Democratica (Democratic Initiative) and Political Secretary of the Christian Democratic Party after July 1954.

Faure, Edgar, French Prime Minister and Minister of Finance, January 22-March 11, 1952; President of the Foreign Affairs Committee in the French National Assembly, 1952-1953; Minister of Finance and Economic Affairs, June 1953-February 1955.

Fechteler, William M., Admiral, U.S. Navy; Chief of Naval Operations, August 16, 1951-August 17, 1953; thereafter Commander in Chief, Allied Forces, Southern Europe.

Fens, J.J., Netherlands Representative to the Consultative Assembly of the Council of Europe.

Ferguson, John H., Deputy Director of the Policy Planning Staff, April 1, 1951-August 12, 1953.

Fidel, Edward A., Officer in Charge of Economic Affairs in the Office of British Commonwealth and Northern European Affairs, Department of State, after August 26, 1952.

Finletter, Thomas K., Secretary of the Air Force until February 1953.

Fisher, Adrian S., Legal Adviser of the Department of State, June 28, 1949-January 27, 1953.

FISHER, William D., Counselor of Embassy in France, February 21–December 21, 1952; thereafter Office of Western European Affairs, Department of State.

FITZGERALD, Dennis A., Assistant Administrator for Supply in the Economic Cooperation Administration after June 30, 1951; Assistant Administrator for Supply in the Mutual Security Agency; from May 19, 1952, Associate Deputy Director of the Mutual Security Agency; Associate Deputy Director of the Foreign Operations Administration; after October 12, 1953, Deputy Director for Operations in the Foreign Operations Administration.

FLEISCHMANN, Manly, Administrator of the Defense Production Administration, 1952.

FLEMMING, Arthur S., Director of the Office of Defense Mobilization, 1953–1954.

FOSTER, Andrew B., Deputy Director of the Office of British Commonwealth and Northern European Affairs, Department of State after January 4, 1952; Counselor of Embassy in the United Kingdom after September 1954.

FOSTER, William C., Administrator of the Economic Cooperation Administration from September 1951; Deputy Secretary of Defense until January 1953.

FRANCO Y BAHAMONDE, Francisco, Head of the Spanish State, Premier of Spain from 1936.

FRANK, Isaiah, Office of Economic Defense and Trade Policy, Bureau of Economic Affairs, Department of State from September 15, 1952.

FRANKS, Sir Oliver S., British Ambassador in the United States, June 3, 1948–February 13, 1953.

FREUND, Richard B., Attaché in the United Kingdom from December 24, 1949; Attaché in France after April 16, 1952; Officer in Charge of Italian and Austrian Affairs, Office of Western European Affairs, Department of State, after November 29, 1953.

FULLER, Leon W., Deputy Director of the Office of German Political Affairs, Department of State after June 16, 1952; Member of the Policy Planning Staff from September 26, 1954.

GERSTENMAIER, Eugen, German Representative to the Consultative Assembly of the Council of Europe; German Representative to the Common Assembly of the European Coal and Steel Community; after 1954, President of the Bundestag.

GIACCHERO, Enzo, Member of the High Authority of the European Coal and Steel Community.

GIBSON, William M., First Secretary of the Embassy in France after December 6, 1952.

GIFFORD, Walter S., Ambassador in the United Kingdom, December 21, 1950–January 23, 1953.

GLEASON, S. Everett, Deputy Executive Secretary of the National Security Council from January 1950.

GLENDINNING, C. Dillon, Secretary of the National Advisory Council from 1948; Deputy Director of the Office of International Finance, Department of the Treasury, 1950; thereafter Advisor to the Secretary of the Treasury.

GODLEY, George McMurtrie, II, Office of Western European Affairs, Department of State; after March 1, 1952, Consul and First Secretary at the Embassy in Paris.

GORDON, Lincoln, Assistant to the Deputy Administrator of the Economic Cooperation Administration, January 8–December 31, 1951; Chairman of the Mutual Assistance Advisory Committee, November 1, 1951–September 28, 1952; Assistant to the Deputy Administrator of the Mutual Security Agency, January 1–April 27, 1952; Assistant Director for Plans and Policy in the Office of the Director for Mutual Security until September 28, 1952; thereafter Chief of the Mutual Security Agency Mission in the United Kingdom.

GRANDVAL, Gilbert, French Ambassador in the Saar, 1952–1955.

Griffis, Stanton, Ambassador in Spain, March 1, 1951–January 28, 1952.

Gruenther, Alfred M., General, U.S. Army; Chief of Staff to the Supreme Allied Commander, Europe until July 11, 1953; Supreme Allied Commander, Europe until November 20, 1956.

Gudmundsson, Kristinn, Icelandic Minister of Foreign Affairs, September 13, 1953–July 24, 1956.

Guggenheim, M. Robert, Ambassador in Portugal, August 12, 1953–September 19, 1954.

Hagerty, James C., Press Secretary to President Eisenhower after January 1953.

Halaby, Najeeb E., Jr., Deputy Assistant Secretary of Defense for International Security Affairs, 1952–1954.

Hall-Patch, Sir Edmund, Permanent British Representative to the Organization for European Economic Cooperation, April 1948–September 1952; thereafter British Executive Director of the International Monetary Fund and of the International Bank for Reconstruction and Development.

Hallstein, Walter, Secretary of State of Foreign Affairs in the Federal Republic of Germany after March 1951.

Hamilton, William L., Jr., Office of British Commonwealth and Northern European Affairs, Department of State after January 1950.

Hammarskjöld, Dag H.A.C., Swedish Minister without Portfolio, 1951–1953; Secretary-General of the United Nations after April 10, 1953.

Hanes, John W., Jr., Special Assistant to Secretary of State Dulles after January 21, 1953.

Hannah, John A., Chairman of the Permanent Joint Board on Defense after January 1954.

Harley, Charles, Treasury Representative in the United Kingdom.

Harriman, W. Averell, Director for Mutual Security, November 1, 1951–January 1953; also, Chairman of the Temporary Council Committee, North Atlantic Treaty Organization, September 1951–January 1952.

Hayter, William G., British Minister in France until October 1953; thereafter Ambassador in the Soviet Union.

Hebbard, William L., Assistant Director, Office of International Finance, Department of the Treasury.

Henry, Guy V., Major General, U.S. Army (Ret.); Member of the Permanent Joint Board on Defense; Chairman of the Permanent Joint Board on Defense, February 1952–January 1954.

Hensel, H. Struve, General Counsel, Department of Defense, 1952–1954; Counsel and Special Adviser to the Secretary of Defense, 1953; Assistant Secretary of Defense for International Security Affairs, 1954–1955.

Herz, Martin F., Consul and Second Secretary in the Embassy in France, June 20, 1951–February 15, 1955.

Hickerson, John D., Assistant Secretary of State for United Nations Affairs, August 8, 1949–July 27, 1953.

Hillenbrand, Martin J., Officer in Charge of Government and Administration, Office of German Political Affairs, Department of State, after June 15, 1950; Economic Officer at the Embassy in France after September 18, 1952.

Holmes, Julius C., Minister in the United Kingdom, September 1948–December 1953.

Hood, Viscount Samuel, Head of the Western Organization Department of the British Foreign Office after October 1, 1951.

Hoover, Herbert, Jr., Under Secretary of State after October 4, 1954.

Hopkinson, Daniel K., Assistant Director for Europe in the Mutual Security Agency, 1952–1953; Regional Director for Europe in the Foreign Operations Administration.

Horowitz, Daniel L., Labor Adviser in the Office of European Regional Affairs, Department of State after October 3, 1949.

Horsey, Outerbridge, Counselor of Embassy in Italy after May 23, 1950; Officer in Charge of Commonwealth Affairs, Office of British Commonwealth and Northern European Affairs, Department of State, from December 1, 1952; Deputy Director of the Office of British Commonwealth and Northern European Affairs after September 26, 1954.

Hughes, John C., Permanent Representative on the North Atlantic Council at Paris after June 12, 1953.

Hughes, Rowland R., Director of the Bureau of the Budget, April 16, 1954–April 1, 1956.

Hull, John E., General, U.S. Army; Vice Chief of Staff for Operations and Administration, 1952–1953; thereafter Commander in Chief, United Nations Forces in the Far East.

Humphrey, George M., Secretary of the Treasury after January 21, 1953.

Hunter, Clarence E., Chief of the Economic Cooperation Administration Mission in the Netherlands after June 10, 1949; Chief of the Mutual Secretary Agency Mission in the Netherlands, January 1952–August 1953.

Huston, Cloyce K., Counselor of the Embassy in Ireland, May 14, 1951–January 20, 1954.

Ignatieff, George, Counselor of the Canadian Embassy in the United States, 1949–1954.

Ismay, Hastings L. (Baron of Wormington), Lord Ismay (Pug), British Secretary of State for Commonwealth Relations until March 12, 1952; thereafter Secretary General and Vice Chairman of the North Atlantic Council.

Jackson, C.D., Special Assistant to President Eisenhower, February 16, 1953–March 31, 1954; thereafter Delegate to the Ninth Regular Session of the U.N. General Assembly.

Jernegan, John D., Deputy Assistant Secretary of State for Near Eastern, South Asian and African Affairs after June 26, 1952.

Kalijarvi, Thorsten V., Deputy Assistant Secretary of State for Economic Affairs from September 1, 1953.

Kaplan, Jacob, European Regional Staff, Office of the Assistant Director for Europe, Mutual Security Agency; Office of European Operations, Foreign Operations Administration after July 1953.

Kennan, George F., Ambassador in the Soviet Union, May 14, 1952–September 19, 1952.

Kenney, W. John, Deputy Director for Mutual Security, February–November 1952.

Kidd, Coburn B., Deputy Director of the Office of German Political Affairs, Department of State, from June 10, 1952; Officer in Charge of German Affairs, Office of German Affairs after September 26, 1954.

Kirkpatrick, Sir Ivone A., British High Commissioner for Germany from June, 1950; British Permanent Under Secretary of State for Foreign Affairs after November 1953.

Kissner, August W., Major General, U.S. Air Force; Chief of the Joint Military Group in Spain after April 1952; Chief of the Military Assistance Advisory Group in Spain after September 1953.

Kitchen, Jeffrey C., Acting Chief of the Policy Reports Staff of the Executive Secretariat, May 26–November 9, 1952; Special Assistant to the Secretary of State, November 9, 1952–January 23, 1953; thereafter Deputy Director of the Executive Secretariat, Department of State, until October 1954.

Knight, Ridgway B., Acting Deputy Director of the Office of European Regional Affairs, February 16, 1951–July 6, 1952; from July 1951, Advisor on North Atlantic Treaty Organization Affairs; Deputy Director of the Office of European Regional Affairs until August 11, 1953; Acting Director of the Office of Western European Affairs until January 15, 1954; thereafter Deputy Assistant High Commissioner for Germany.

Knight, William E., II, Italian Desk Officer, Office of Western European Affairs, Department of State after December 17, 1951.

Koenig, Marie-Pierre, General, French Army; Deputy in the French National Assembly after 1951; French Minister of National Defense, June 19–September 5, 1954.

Kranich, Robert H., Office of European Regional Affairs, Department of State after July 12, 1950; Officer in Charge of North Atlantic Treaty Economic and Military Assistance, Office of European Regional Affairs after August 15, 1954.

Kyes, Roger M., Deputy Secretary of Defense, February 2, 1953–May 1, 1954.

Labouisse, Henry R., Jr., Chief of the Economic Cooperation Administration Mission in France from August 19, 1951; after January 1, 1952, Chief of the Mutual Security Agency Mission in France; Director of the Foreign Operations Administration Mission in France after July 1, 1953.

Lange, Halvard, Norwegian Minister of Foreign Affairs after February 1, 1946.

Laniel, Joseph, Prime Minister of France, June 28, 1953–June 19, 1954.

Laurens, Camille, Deputy in the French National Assembly after 1946; French Minister of Agriculture, August 11, 1951–June 27, 1953.

Lauro, Achille, President of the Italian National Monarchist Party.

Lawson, Edward B., Minister in Iceland, September 22, 1949–May 29, 1954.

Lawson, George W., Director of the Budget Division, Mutual Security Agency until August 1953.

Lay, James S., Jr., Executive Secretary of the National Security Council from January 1950.

Le Pan, Douglas V., Minister-Counselor of the Canadian Embassy in the United States until 1955.

Leddy, John M., Director of the Office of Economic Defense and Trade Policy, November 21, 1951–April 14, 1953; thereafter Acting Deputy Assistant Secretary of State for Economic Affairs.

Lee, Sir Frank, Permanent Secretary of the British Board of Trade.

Lemass, Sean F., Deputy Prime Minister of Ireland and Minister of Industry and Commerce, June 1951–June 1954.

Lequerica, Jose Felix de, Spanish Ambassador in the United States after January 17, 1951.

Letourneau, Jean, French Minister of State in Charge of Relations with Indochina until July 1953; French High Commissioner in Indochina, April 1952–July 1953.

Levy-Hawes, Maurice G., Lieutenant, U.S. Army; Economist with the Department of Defense until October 1952; thereafter Foreign Affairs Officer in the Office of European Regional Affairs, Department of State.

Linder, Harold F., Deputy Assistant Secretary of State for Economic Affairs, February 15, 1951–December 12, 1952; Assistant Secretary of State for Economic Affairs until May 1953.

Lloyd, David D., Administrative Assistant to President Truman, 1952.

LLOYD, John Selwyn (Brooke), British Minister of State from October 1951; British Minister of Trade after October 1954.

LODGE, Henry Cabot, Jr., Ambassador to the United Nations from January 26, 1953.

LOVETT, Robert A., Secretary of Defense, September 1951–January 1953.

LUCE, Clare Boothe, Ambassador in Italy, May 4, 1953–December 27, 1956.

LUNS, Joseph M.A.H., Netherlands Minister of Foreign Affairs (position jointly held with Johan Beyen), September 1, 1952–October 1, 1955; thereafter sole Minister of Foreign Affairs.

LYONS, Daniel M., Office of Western European Affairs, Department of State after April 3, 1950.

MACARTHUR, Douglas, II, Counselor of Embassy in France and Advisor on International Affairs to the Supreme Allied Commander, Europe, February 1951–October 1952; Counselor of the Department of State, March 1953–December 19, 1956.

MACMILLAN, Sir Harold, British Minister of Housing and Local Government until October 1953; thereafter British Minister of Defense.

MACVEAGH, Lincoln, Ambassador in Portugal until February 26, 1952; Ambassador in Spain, March 27, 1952–March 4, 1953.

MAKINS, Sir Roger M., British Deputy Under Secretary of State for Foreign Affairs, April 22, 1948–December 30, 1952; British Ambassador in the United States after January 7, 1953.

MALAGODI, Giovanni, Secretary of the Italian Liberal Party after 1954.

MANSHOLT, S.L., Netherlands Minister of Agriculture, Fisheries and Food after 1948.

MARGOLIES, Daniel F., Deputy Director of the Office of German Economic Affairs, Department of State, after January 21, 1951; Director of the Office of German Economic Affairs from July 8, 1951; Officer in Charge of Economic Affairs in the Office of German Affairs after November 2, 1953.

MARJOLIN, Robert Ernest, Secretary General of the Organization for European Economic Cooperation.

MARJORIBANKS, James A.M., Deputy Head of the British Delegation to the High Authority of the European Coal and Steel Community after August 31, 1952.

MARTIN, Edwin M., Director of the Office of European Regional Affairs, Department of State, from October 3, 1949; Special Assistant to the Secretary of State for Mutual Security Affairs, from September 28, 1952; Deputy Representative on the North Atlantic Council after June 25, 1953.

MARTIN, William McC., Chairman of the Board of Governors of the Federal Reserve Board, and Member of the National Advisory Council.

MARTÍN Artajo, Alberto, Foreign Minister of Spain, July 1945–February 1957.

MARTINO, Gaetano, Italian Minister of Education, February–September 1954; Italian Minister of Foreign Affairs, September 18, 1954–May 20, 1957.

MATTHEWS, Francis P., Ambassador in Ireland, October 22, 1951–September 7, 1952.

MATTHEWS, H. Freeman, Deputy Under Secretary of State, July 5, 1950–September 31, 1953; thereafter Ambassador in the Netherlands.

MAYER, René, French Deputy Prime Minister and Minister of Finance and Economic Affairs, August 11, 1951–January 20, 1952; Prime Minister of France, January 8–June 28, 1953.

MCBRIDE, Robert H., Officer in Charge of French-Iberian Affairs, Office of Western European Affairs, Department of State, after February 21, 1952; First Secretary in the Embassy in France after September 25, 1954.

MCCAFFERY, Richard S., Jr., Member of the Mutual Security Agency Economic Group in Spain, May 1952–September 1953; Economic Commissioner at Madrid until November 1954.

MCCARRAN, Patrick A., Senator from Nevada, 1933–1954; Member of the Senate Appropriations Subcommittee on Mutual Security.

McFall, Jack K., Assistant Secretary of State for Congressional Relations, October 15, 1949–September 9, 1952; Minister in Finland, November 15, 1952–May 1, 1953; thereafter Ambassador in Finland.

McKay, R.A., Canadian Assistant Under Secretary of State for External Affairs, 1952–1954; Deputy Under Secretary of State for External Affairs, 1954; Member of the Permanent Joint Board on Defense, 1954–1955.

McMahon, Brien, Senator from Connecticut and Chairman of the Joint Committee on Atomic Energy.

McNaughton, Andrew G.L., General, Canadian Army; Chairman of the Canadian Section of the Permanent Joint Board on Defense, 1945–1959.

McWilliams, William J., Director of the Executive Secretariat, Department of State, January 18, 1950–August 19, 1953.

Meloy, Francis E., Jr., Assistant to the Director of the Executive Secretariat, Department of State, from May 23, 1950; Second Secretary at the Embassy in France after July 24, 1953.

Mendès-France, Pierre, Prime Minister of France, June 19, 1954–February 23, 1955.

Menzies, Robert G., Prime Minister of Australia after December 19, 1949.

Merchant, Livingston T., Special Assistant to the Secretary of State for Mutual Security Affairs until March 1952; Deputy to the Special Representative in Europe at Paris, March 24, 1952–March 11, 1953; Assistant Secretary of State for European Affairs until May 7, 1956.

Mesta, Pearl, Minister in Luxembourg, September 21, 1949–April 13, 1953.

Millar, John Y., Office of Western European Affairs, Department of State, February 1952–February 1954.

Minotto, James, Chief of the Special Mission for Economic Cooperation in Portugal from April 23, 1951; after January 1952, Chief of the Mutal Security Mission in Portugal; after July 1953, Chief of the Foreign Operations Mission in Portugal.

Mitterrand, François, Deputy in the French National Assembly after 1946; French Minister of State, January–March 1952; French Minister of the Interior, June 19, 1954–February 22, 1955.

Moe, Finn, Norwegian Representative to the Consultative Assembly of the Council of Europe.

Mollet, Guy, Deputy in the French National Assembly from 1946; President of the General Affairs Committee of the Consultative Assembly of the Council of Europe after 1954.

Molotov, Vyacheslav Mikhailovich, Soviet Minister of Foreign Affairs after March 1953; Member of the Politburo from 1926, and Member of the Presidium after October 1952.

Monnet, Jean, Chairman of the Schuman Plan Conference; President of the High Authority of the European Coal and Steel Community after July 24, 1952.

Moore, Ben T., First Secretary in the Embassy in the United Kingdom from June 5, 1950; Director of the Office of European Regional Affairs, Department of State, after September 29, 1952.

Moreland, Allen B., Office of the Assistant Secretary of State for Congressional Relations until April 1953; thereafter Office of the Special Assistant for Mutual Security Affairs.

Morton, Thruston B., Assistant Secretary of State for Congressional Relations after January 30, 1953.

Mosadeq, Mohammad, leader of the Iranian National Front; Prime Minister of Iran until July 5, 1952 and July 11–16, 1952; Prime Minister and Minister of Defense, July 22, 1952–August 15, 1953.

Mossadegh. See Mosadeq.

MULCAHY, R., General, Head of the Irish Fine Gael Party since 1951; Irish Minister of Education after June 2, 1954.

MURPHY, Charles S., Special Counsel to President Truman, 1952.

MURPHY, Robert D., Ambassador in Belgium, November 29, 1949–March 19, 1952; Ambassador in Japan, May 9, 1952–April 28, 1953; Appointed Assistant Secretary of State for United Nations Affairs, March 20, 1953; Political Adviser to the United Nations Command on the Korean Armistice Negotiations, April 28–July 11, 1953; Chief of Mission, United Nations, May 31–November 30, 1953; Acting Deputy Under Secretary of State in addition to duties as Assistant Secretary of State for United Nations Affairs, November 30–December 18, 1953; Deputy Under Secretary of State for Political Affairs after December 18, 1953.

MUTTER, André, French Representative in the Consultative Assembly of the Council of Europe; French Member of the *Ad Hoc* Assembly of the European Coal and Steel Community.

NASH, Frank C., Assistant to the Secretary of Defense for International Security Affairs, August 28, 1951–February 10, 1953; Assistant Secretary of Defense for International Affairs until February 28, 1954.

NEHRU, Jawaharlal Pandit, Indian Prime Minister and Minister for External Affairs and Commonwealth Relations from August 1947.

NENNI, Pietro, Secretary General of the Italian Socialist Party.

NEWMAN, George S., Office of the Special Assistant to the Secretary of State for Mutual Security Affairs.

NITZE, Paul H., Director of the Policy Planning Staff, January 1, 1950–April 1953.

NIXON, Richard M., Senator from California until January 1953; thereafter Vice President of the United States.

NOLTING, Frederick E., Special Assistant to the Deputy Under Secretary of State from October 14, 1951; Acting Special Assistant to the Secretary of State for Mutual Security Affairs after August 4, 1953; Special Assistant to the Secretary of State for Mutual Security Affairs after January 4, 1954.

NORTON, William, Head of the Irish Labor Party from 1932; Deputy Prime Minister of Ireland and Minister of Industry and Commerce after June 2, 1954.

O'CONNOR, Roderic L., Assistant to the Secretary of State, January 21, 1953–February 21, 1954; thereafter Special Assistant to the Secretary of State.

OEN, Bjarne A., Lieutenant General, Norwegian Air Force; Norwegian Military Representative at Supreme Headquarters, Allied Powers, Europe, 1952–1954; Commandant of the National Defense College and Chief of the Norwegian Air Staff until 1957.

OHLY, John H., Assistant Director for Policy and Program Development in the Office of the Director for Mutual Security after October 14, 1951; Assistant Director for Programs in the Office of the Director for Mutual Security after April 17, 1952; Deputy to the Director for Program Coordination in the Mutual Security Agency after March 23, 1953; Deputy Director for Programs and Planning in the Foreign Operations Administration after October 1, 1953.

OULASHIN, Eric E., Deputy Executive Secretary of the Office of the Special Representative in Europe at Paris.

PACE, Frank, Jr., Secretary of the Army, October 12, 1950–January 21, 1953.

PALMER, Joseph II, First Secretary at the Embassy in the United Kingdom after May 23, 1950; Deputy Director of the Office of European Regional Affairs, Department of State after October 15, 1953.

PARIS, Jacques-Camille, Secretary General of the Council of Europe.

Parsons, James Graham, Deputy Director of the Office of European Regional Affairs, Department of State, July 16, 1951–May 16, 1952; Acting Director of the Office of European Regional Affairs, May 19, 1952–July 18, 1953.

Patterson, Richard C., Ambassador in Switzerland, June 27, 1951–April 14, 1953.

Pearson, Lester B. (Mike), Canadian Secretary of State for External Affairs, 1948–1957.

Pella, Giuseppe, Italian Minister of the Budget until February 1952; Minister of the Budget and Treasury, February 1952–July 1953; Minister of the Treasury, July–August 1953; Italian Prime Minister, Minister of Foreign Affairs, and Minister of the Budget, August 1953–January 1954.

Penfield, James K., Counselor of the Embassy in the United Kingdom, July 1950–August 1954; thereafter Deputy Chief of Mission in Austria.

Perkins, George W., Assistant Secretary of State for European Affairs until January 29, 1953.

Peterson, Avery F., Officer in Charge of Commonwealth Affairs, Office of British Commonwealth and Northern European Affairs, Department of State, February 1952–July 1953.

Pflimlin, Pierre, French Minister of Commerce and External Economic Relations, August 11, 1951–January 20, 1952; thereafter Minister of State of the Council of Europe.

Phillips, Joseph B., Deputy Assistant Secretary of State for Public Affairs from March 6, 1952; Acting Director of the Office of Public Affairs from October 23, 1952; Director of the Office of Public Affairs at Bonn after June 30, 1954.

Phleger, Herman, Legal Adviser of the Department of State after February 2, 1953.

Pinay, Antoine, Prime Minister of France and Minister of Finance, March 8, 1952–January 8, 1953.

Pius XII, His Holiness (Eugenio Pacelli), the Supreme Pontiff, Vatican City from March 1939.

Platt, Edward G., Jr., Office of the Executive Secretariat, Department of State from June 29, 1951; Staff Assistant to the Assistant Secretary of State for Public Affairs after January 1, 1954.

Pleven, René, Prime Minister of France, July 1950–March 1951; Deputy Prime Minister of France, March–August 1951; Prime Minister, August 1951–January 1952; French Minister of National Defense, March 1952–June 1954.

Porter, Paul R.; Deputy Special Representative for Economic Affairs in Europe after January 15, 1952.

Queuille, Henri, Deputy in the French National Assembly after 1946; Minister of State, August 11, 1951–January 19, 1952; President of the Council of the Republic, January 20, 1952–June 18, 1954.

Rabenold, Ellwood M., Jr., Office of Western European Affairs, Department of State, September 30, 1952–July 15, 1956.

Radford, Arthur W., Admiral, U.S. Navy; Chairman of the Joint Chiefs of Staff after August 15, 1953.

Rand, William M., Deputy Director of the Mutual Security Agency until July 1953; thereafter Deputy Director of the Foreign Operations Administration.

Randall, Clarence B., Member of the Business Advisory Council, Department of Commerce, 1951–1957; Chairman of the Commission on Foreign Economic Policy, 1953–1954.

Raynor, G. Hayden, Director of the Office of British Commonwealth and Northern European Affairs, Department of State after March 4, 1951.

Reams, R. Borden, Counselor of the Legation in Switzerland after March 5, 1951.

Reinhardt, G. Frederick, Counselor of the Embassy in France, North Atlantic Treaty Organization Defense College, from October 3, 1951; Counselor of the Embassy in France, November 10, 1952–April 19, 1955.

Reynaud, Paul, French Member of the Common Assembly of the European Coal and Steel Community; Deputy in the French National Assembly after 1946 and President of the National Assembly's Commission on Finances.

Riddleberger, James W., Political Adviser to the Economic Cooperation Administration from September 4, 1950; Director of the Bureau of German Affairs, Department of State, after May 14, 1952; Ambassador in Yugoslavia after July 31, 1953.

Ridgway, Matthew B., General, U.S. Army, Supreme Allied Commander in Europe, June 1952–May 1953; thereafter Chief of Staff, U.S. Army, August 1953–June 1955.

Riley, Roderick H., Officer in Charge of Trade and Resources, Office of German Economic Affairs, Department of State, from 1951.

Robertson, Walter S., Assistant Secretary of State for Far Eastern Affairs after March 27, 1953.

Rogers, Charles E., Office of European Regional Affairs, 1952–1954.

Roijen, Jean Herman Van, Netherlands Ambassador in the United States after September 19, 1950.

Ronhovde, Andreas G., Officer in Charge of Northern European Affairs, Office of British Commonwealth and Northern European Affairs, Department of State, until May 23, 1954.

Rountree, William M., Director of the Office of Greek, Turkish, and Iranian Affairs, Department of State, from August 1950; after June 1952, Deputy Chief of Mission in Turkey and after August 1952, Counselor of Embassy in Turkey; Counselor of Embassy in Iran after October 1, 1953.

Rowan, Sir Leslie, Second Secretary in the British Treasury after September 1951.

St. Laurent, Louis S., Prime Minister of Canada from 1948.

Salazar, Antonio de Oliveira, Prime Minister of Portugal from 1932.

Salisbury, Lord (Robert A.J.G. Cecil), British Secretary of State for Commonwealth Relations, March–December 1952; Acting Secretary of State for Foreign Affairs, June–October 1953.

Sandys, Duncan, British Minister of Supply, October 1951–October 1954.

Santos Costa, Fernando dos, Lieutenant Colonel, Portuguese Minister of National Defense from 1951.

Saragat, Giuseppe, Secretary of the Italian Social Democratic Party, 1949–1958; Italian Deputy Prime Minister and Minister without Portfolio, February 1954–May 1957.

Savage, Carlton, Member of the Policy Planning Staff, Department of State, after January 1948.

Scelba, Mario, Italian Minister of the Interior until July 1953; Italian Prime Minister and Minister of the Interior, February 1954–May 1955.

Schaetzel, J. Robert, Special Assistant to the Assistant Secretary of State for Economic Affairs, October 15, 1950–August 15, 1954.

Schelling, Thomas C., Officer in Charge of European Program Affairs, Office of the Deputy to the Director for Program and Coordination, Mutual Security Agency.

Schuman, Robert, French Minister of Foreign Affairs until January 1953; thereafter Deputy in the French National Assembly.

Schumann, Maurice, French Secretary of State for Foreign Affairs, August 1951–June 1954; Deputy in the French National Assembly since 1946 and Chairman of the National Assembly's Foreign Affairs Committee.

Scott, Joseph W., Officer in Charge of Swiss and Benelux Affairs, Office of Western European Affairs, Department of State, from August 6, 1950; Attaché at the Embassy in France after May 7, 1952.

Scott, Walter K., Deputy Assistant Secretary of State for Administration, September 11, 1950–March 21, 1954; thereafter Director of the Executive Secretariat.

Semler, Johannes, German Representative to the Consultative Assembly of the Council of Europe and German Member of the *Ad Hoc* Assembly of the European Coal and Steel Community.

Seydoux de Claussonne, François Fornier, Director of the Office of European Affairs, French Ministry of Foreign Affairs after September 1949.

Seydoux de Claussonne, Roger, Counselor of the French Embassy in the United States after February 1952; Minister of the French Embassy in the United States, December 1952–September 1954.

Sheppard, William J., Executive Assistant to the Director for Mutual Security after November 1951.

Shuckburgh, Charles A.E., Private Secretary to British Secretary of State for Foreign Affairs Eden, until May 1954; thereafter Assistant Under Secretary of State for Foreign Affairs.

Simmons, John F., Chief of Protocol, Department of State, after August 1950.

Slim, Field Marshal Sir William, Chief of the Imperial General Staff, 1952; Governor-General in Australia after May 8, 1953.

Smith, Walter Bedell, Director of Central Intelligence until February 8, 1953; Under Secretary of State until October 1, 1954.

Snow, William P., Counselor of the Embassy in Norway until September 8, 1953.

Snyder, John W., Secretary of the Treasury, June 1946–January 1953; Chairman of the National Advisory Council.

Southard, Frank A., Jr., Special Assistant to the Secretary of the Treasury.

Soutou, Jean, Secretary of Foreign Affairs; Director of the Cabinet of the Ministry of Foreign Affairs, June 1954–February 1955.

Spaak, Paul-Henri, President of the Common Assembly of the European Coal and Steel Community from July 1952; Belgian Minister of Foreign Affairs after April 1954.

Spierenburg, Dirk Peter, President of the Council of the Organization for European Economic Cooperation, 1950–1951; after July 1952, Member of the High Authority of the European Coal and Steel Community.

Spinelli, Altiero, Secretary-General of the European Union of Federalists.

Spofford, Charles M., Deputy Representative on the North Atlantic Council at London until January 1952.

Spry, James W., Major General, U.S. Air Force; Chief of the Joint Military Survey Team in Spain, August 22–November 1, 1951.

Stabler, Wells, Officer in Charge of Egypt and Anglo-Egyptian-Sudan Affairs, Office of Near Eastern Affairs, Department of State, 1951–1952; Acting Deputy Director of the Office of Near Eastern Affairs from October 1952; Second Secretary of the Embassy in Italy after January 1953.

Stassen, Harold E., Director for Mutual Security after January 20, 1953; Director of Foreign Operations Administration after August 1, 1953.

Steel, Sir Christopher E., British Minister in the United States until August 18, 1953; thereafter British Permanent Representative on the North Atlantic Council.

Steensen-Leth, Vincens de, Danish Permanent Representative on the North Atlantic Council in Paris, April 16, 1952–January 1, 1954; thereafter Danish Ambassador in the United Kingdom.

Stewart, George C., Major General, U.S. Army; Deputy Administrator, General Staff, Department of the Army until 1953; thereafter Director of Military Assistance, Department of International Security Affairs.

Stikker, Dirk U., Netherlands Minister of Foreign Affairs (August, 1948–September 1952) and Chairman of the Council of the Organization for European Economic Cooperation.

Stinebower, Leroy D., Director of the Office of Financial and Development Policy, Bureau of Economic Affairs, Department of State, after April 16, 1950.

Strauss, Lewis L., Admiral, U.S. Navy; Special Assistant to President Eisenhower on Atomic Energy Matters from March 9, 1953; Chairman of the Atomic Energy Commission after July 2, 1953.

Streibert, Theodore C., Director of the United States Information Agency after August 1, 1953.

Strong, Leicester Corrin, Ambassador in Norway, August 10, 1953–February 16, 1957.

Struye, Paul, Belgian Representative to the Consultative Assembly of the Council of Europe; Belgian Delegate to the Common Assembly of the European Coal and Steel Community.

Stuart, R. Douglas, Ambassador in Canada after July 15, 1953.

Sufrin, Sidney C., Professor of Economics, Syracuse University; Chief of the Temporary Economic Cooperation Administration Study Group in Spain, August–December 1951.

Tabouis, Geneviève, Foreign Affairs Editor of the French journal, *L'Information.*

Taft, William Howard III, Ambassador in Ireland after May 13, 1953.

Tannenwald, Theodore, Jr., Assistant Director and Chief of Staff of the Office of the Director for Mutual Security, 1952.

Tarchiani, Alberto, Italian Ambassador in the United States, March 8, 1945–January 1955.

Tasca, Henry J., Special Assistant to the Special Representative in Europe at Paris from May 22, 1949; Director of Plans and Policy in the Office of the Special Representative in Europe after June 11, 1952; Deputy Special Representative for Economic Affairs in the Office of the Special Representative in Europe from March 1, 1953; Director of the Operations Mission in Italy after December 12, 1953.

Taviani, Paolo Emilio, Under Secretary to the Italian Ministry of Foreign Affairs until July 1953; Italian Minister of Foreign Commerce, July–August 1953; after August 17, 1953, Italian Minister of Defense.

Taylor, Myron C., Personal Representative, with rank of Ambassador, of Presidents Roosevelt and Truman to Pope Pius XII, 1939–1950.

Teitgen, Pierre Henri, President of the Mouvement Rèpublicain Populaire in France after May 1952; Vice President of the Council of Ministers, June 1953–June 1954; French Representative to the Consultative Assembly of the Council of Europe and French Representative to the Common Assembly of the European Coal and Steel Community.

Terrenoire, Louis, Secretary General of the Rassemblement du Peuple Français, 1951–1954.

Terry, Carroll M., First Secretary of the Embassy in Spain until February 1954.

Tesoro, George A., Office of Western European Affairs, Department of State.

Thielen, Bernard, Colonel, Chief, Policy Division, Office of Military Assistance, Department of Defense, 1952.

Thorp, Willard L., Assistant Secretary of State for Economic Affairs, November 15, 1946–November 15, 1952.

THURSTON, Ray L., Deputy Director of the Office of Eastern European Affairs, Department of State, from June 1952; Director of the Office of Eastern European Affairs after May 1954.

TICOULAT, Gabriel, J., Deputy Administrator for International Materials Activities, Defense Production Administration, 1952.

TIMMONS, Benson E.L., Deputy Director of the Operations Mission in France until July 31, 1953; in the Foreign Operations Administration, August 1953–October 1954; First Secretary of the Embassy in France after November 1, 1954; Director of the U.S. Operations Mission in France after December 27, 1954.

TITTMANN, Harold H., Jr., Ambassador in Peru, September 27, 1948–March 30, 1955.

TIZARD, Sir Henry, Chairman of the British Defense Research Policy Committee.

TOMLINSON, William M., Finance and Economic Adviser at the Embassy in France until August 1952; thereafter Deputy Representative to the European Coal and Steel Community.

TORP, Oscar, Prime Minister of Norway, November 15, 1951–January 21, 1955.

TRAIN, George F., Chief of the Mutual Security Agency Economic Group in Spain, April 1952–September 1953.

TRUMAN, Harry S., President of the United States, April 12, 1945–January 20, 1953.

TYLER, William R., Counselor of Embassy in France from September 27, 1948; Public Affairs Officer in France after July 29, 1952; First Secretary and Consul at the Embassy in France after September 17, 1952; Political Officer in France after August 4. 1953; Deputy Director of the Office of Western European Affairs, Department of State, after May 8, 1954.

UNDÉN, Östen, Swedish Minister of Foreign Affairs after July 31, 1945.

VALLETTA, Vittorio, President and Managing Director of FIAT.

VANDENBERG, Hoyt S., General, U.S. Air Force; Chief of Staff of the Air Force, 1951–1953.

VAN HOLLEN, Christopher, Member of the Staff of the Executive Secretariat, Department of State, June 1951–December 1954.

VANONI, Ezio, Italian Minister of Finance and *Ad Interim* Minister of the Treasury, February 1952; Italian Minister of Finance, February 1952–January 1954; thereafter Italian Minister of the Budget.

VAN ROIJEN, Jean Herman. *See* Roijen.

VAN ZEELAND, Paul. *See* Zeeland.

VASS, Lawrence C., Officer in Charge of North Atlantic Treaty Economic and Military Assistance Affairs, Office of European Regional Affairs, Department of State, May 13, 1951–August 15, 1954.

VERNON, Raymond, Deputy Director of the Office of Economic Defense and Trade Policy, Bureau of Economic Affairs, Department of State after November 21, 1951.

VEST, George S., Second Secretary of the Embassy in Canada, March 1952–November 1954.

VIGON, Juan, Chief of the Spanish High General Staff and chief negotiator of the Military Agreements with the United States, 1952–1953.

VOORHEES, Tracy S., Defense Advisor to the Mission to the North Atlantic Treaty Organization and Director of Offshore Procurement in Europe for Secretary of Defense, 1953–1954.

VYSHINSKY, Andrey Yanuaryevich, Soviet Minister of Foreign Affairs, March 1949–March 1953; First Deputy Minister of Foreign Affairs and Soviet Permanent Representative at the United Nations, April 1953–November 1954.

Wan Waithayakon, Prince, Krommun Naradhip Bongsprabandh, Ambassador from Thailand in the United States, January–March 1952; thereafter Thai Minister of Foreign Affairs.

Waugh, Samuel C., Assistant Secretary of State for Economic Affairs after June 5, 1953.

Webb, James E., Under Secretary of State, January 28, 1949–February 29, 1952.

Weeks, Sinclair, Secretary of Commerce, January 21, 1953–November 10, 1958.

West, George L., Jr., Officer in Charge of French-Iberian Affairs, Office of Western European Affairs, Department of State after September 12, 1954.

White, Ivan B., Economic Counselor of Embassy in Spain, August 17, 1951–September 17, 1953; Member of the Mutual Security Agency Economic Group in Spain, April 1952–September 1953.

Whitman, Ann C., Secretary to President Eisenhower after January 21, 1953.

Wight, William L., Jr., Office of British Commonwealth and Northern European Affairs, Department of State; Secretary of the United States Section of the Permanent Joint Board on Defense until December 1954.

Wilgress, L. Dana, High Commissioner for Canada in the United Kingdom, 1949–1952; Under Secretary of State for External Affairs, 1952–1953; Canadian Permanent Representative on the North Atlantic Council, and Representative to the Organization for European Economic Cooperation, 1953–1958.

Williams, Edward L., Director of the U.S. Operations Mission in Spain, after October 6, 1953.

Williams, Walter, Deputy Under Secretary of Commerce until January 1953; thereafter Under Secretary of Commerce.

Williamson, Francis T., Deputy Director of the Office of Western European Affairs, Department of State, June 30, 1950–July 20, 1952; Director of the Planning Staff of the Office of Western European Affairs until January 23, 1953; thereafter Counselor of Embassy in Italy.

Willis, Francis E., Ambassador in Switzerland after October 9, 1953.

Willoughby, Woodbury, Counselor of Embassy in Canada until December 1953; thereafter Counselor of Embassy in Austria.

Wilson, Charles Edward, Director of the Office of Defense Mobilization, 1950–1952.

Wilson, Charles Erwin, Secretary of Defense after January 28, 1953.

Wolf, Joseph J., Officer in Charge of Political-Military Affairs, Office of European Regional Affairs, Department of State, from July 20, 1952; Special Adviser for North Atlantic Treaty Organization Affairs after July 1954.

Wood, C. Tyler, Associate Deputy Director of the Mutual Security Agency after January 1, 1952; Economic Coordinator for Korea at Seoul after September 30, 1953.

Woodbridge, George, Chief of the Northern European Branch of the European Program Division, Economic Cooperation Administration, until December 31, 1952; Chief of the Northern European Branch of the European Program Division, Mutual Security Agency, until August 1952.

Woodward, Stanley, Ambassador in Canada, June 22, 1950–January 14, 1953.

Wrong, Hume, Canadian Ambassador in the United States, November 8, 1946–August 3, 1953; thereafter Canadian Secretary of State for External Affairs.

Xanthaky, Theodore A., Special Assistant to the Ambassador in Portugal from March 1945.

Zeeland, Paul Van, Belgian Minister of Foreign Affairs and Foreign Trade, August 10, 1949–April 22, 1954.

Zoppi, Vittorio, Secretary General of the Italian Ministry of Foreign Affairs, June 1948–November 1954.

LIST OF SHORT TITLES

Acheson, *Present at the Creation.* Acheson, Dean, *Present at the Creation. My Years in the State Department* (New York, 1969).

Documents, (R.I.I.A.) for 1952, 1953, and 1954. Folliot, Denise, ed., *Documents on International Affairs,* 1952, 1953, and 1954 (Royal Institute of International Affairs, London, 1955–1957).

Eden, *Full Circle.* Eden, Anthony, *The Memoirs of Anthony Eden. Full Circle* (Boston, 1960).

Eisenhower, *Mandate for Change.* Eisenhower, Dwight D., *The White House Years. Mandate for Change: 1953–1956* (New York, 1963).

H.C. Deb. 5s. House of Commons, *Parliamentary Debates,* 5th Series.

Sulzberger, *A Long Row of Candles.* Sulzberger, C.L., *A Long Row of Candles. Memoirs and Diaries, 1934–1954* (New York, 1969).

Truman, *Memoirs.* Truman, Harry S., *Memoirs by Harry S. Truman. Volume II: Years of Trial and Hope* (New York, 1956).

LIST OF SOURCES

Department of State files

A/MS Files, Lot 54 D 291

Consolidated administrative files of the Department of State for the years 1949–1960, as maintained by the Management Staff of the Bureau of Administration. (180 ft.)

Austrian-Italian Desk Files, Lot 54 D 541

Subject files on Austria, Italy, and Trieste for the years 1947–1952, as maintained in the Office of Western European Affairs. (5 ft.)

BNA Files, Lot 55 D 634

Political files on Denmark, Iceland, Sweden, and Norway, for the years 1950–1954, as maintained in the Division of Northern Europe, Office of British Commonwealth and Northern European Affairs. (1 ft.)

Bruce Mission Files, Lot 57 M 38

Master file of telegrams, memoranda, briefing and background papers relating to the European Defense Community, the European Political Community, the Saar issue, and the European Coal and Steel Community, for the years 1951–1954, as maintained by the Embassy in Paris. (27 ft.)

Camp Files, Lot 55 D 105

Special collection of documentation on European political and economic integration for the period 1948–1953, including important correspondence between officers of the Department of State and the White House staff and Congress, as maintained by Miriam Camp of the Office of European Regional Affairs. (2 ft.)

Canadian Desk Files, Lot 63 D 156

Master file of the Permanent Joint Board on Defense (U.S.-Canada) for the years 1940–1958, as maintained in the Office of British Commonwealth and Northern European Affairs. (9 ft.)

Canadian Desk Files, Lot 69 D 302

Subject files on United States-Canadian military matters for the years 1947–1964, as maintained in the Office of British Commonwealth and Northern European Affairs. (16 ft.)

CFM Files, Lot M-88

Consolidated master collection of the records of conferences of Heads of State, Council of Foreign Ministers and ancillary bodies, North Atlantic Council, other meetings of the Secretary of State with the Foreign Ministers of European powers, and materials on the Austrian and German peace settlements for the years 1943–1955, prepared by the Department of State Records Service Center. (254 ft.)

Conference Files, Lot 59 D 95

Collection of documentation on certain official visits of heads of government and foreign ministers to the United States and on major international conferences attended by the Secretary of State for the years 1949-1955, as maintained by the Executive Secretariat of the Department of State. (13 ft.)

Conference Files, Lot 60 D 627

Collection of documentation on certain official visits of heads of government and foreign ministers to the United States and on major international conferences attended by the Secretary of State for the years 1953-1958, as maintained by the Executive Secretariat of the Department of State. This file is a continuation of Lot 59 D 95. (25 ft.)

Current Economic Developments, Lot 70 D 467

Master set of the Department of State classified publication *Current Economic Developments* for the years 1945-1969, as maintained in the Bureau of Economic Affairs. (7 ft.)

DMS Files, Lot W 1425

Subject files of the Office of the Director for Mutual Security for the years 1950-1953. These files were retired by the Foreign Operations Administration (FOA) and are a part of Federal Records Center Accession No. 55 A 79. (7 ft.)

DMS Files, Lot W 1444

General subject and country files of the Office of the Director for Mutual Security for the years 1952-1955. These files were retired by the International Cooperation Administration (ICA) and are a part of Federal Records Center Accession No. 56 A 632. (15 ft.)

ECA Telegram Files, Lot W 130

Serial telegram files of incoming Economic Cooperation Administration (ECA) cables for the years 1948-1951, as maintained by the Administrative Services Division of the ECA and subsequently retired by the Mutual Security Agency (MSA). These files, which are presently administered by the Agency for International Development (AID) are a part of Federal Records Center Accession No. 53 A 278. (37 ft.)

ECA Telegram Files, Lot W 131

Serial telegram files of outgoing ECA cables for the years 1948-1951, as maintained by the Administrative Services Division of the ECA and subsequently retired by the MSA. These files, presently administered by AID, are a part of Federal Records Center Accession No. 53 A 278. (57 ft.)

ECA-MSA Files, Lot W 745

Subject and country files of the Office of the Assistant Administrator for Program of the Economic Cooperation Administration and the Mutual Security Agency for the years 1948-1953. These files were retired by the FOA and are a part of Federal Records Center Accession No. 55 A 374. (9 ft.)

ECA-MSA-FOA Files, Lot W 13

Office files of the Executive Secretariat maintained for the use of the Director of the Economic Cooperation Administration, the Mutual Security Agency, and the Foreign Operations Administration, for the years 1948-1954. These files were retired by the FOA and are a part of Federal Records Center Accession No. 55 A 374. (13 ft.)

EUR Files, Lot 59 D 233

Files of the Office of the Assistant Secretary of State for European Affairs for the years 1945–1957. (6 ft.)

G/PM Files, Lot 68 D 349

Subject files maintained by the Office of Deputy Assistant Secretary of State for Politico-Military Affairs for the years 1950–1967. (7 ft.)

INR Files

Files retained by the Bureau of Intelligence and Research of the Department of State.

Italian Desk Files, Lot 58 D 357

Subject files of the Italian desk for the years 1950–1955, as maintained by the Officer in Charge of Italian and Austrian Affairs, Office of Western European Affairs. (5½ ft.)

Lisbon Embassy Files, Lot 59 F 53

Top secret files of the Embassy in Portugal for the years 1946–1952, which are a part of Federal Records Center Accession No. 68 A 5159. (1 ft.)

Lisbon Embassy Files, Lot 64 F 17

Top secret files of the Embassy in Portugal for the years 1953–1955, which are a part of Federal Records Center Accession No. 68 A 5159. (1 ft.)

Luce Files, Lot 64 F 26

Records of Clare Boothe Luce as Ambassador in Italy, 1953–1956, as maintained by the Embassy in Italy. (4 ft.)

Madrid Embassy Files, Lot 58 F 57

Top secret files of the Embassy in Spain for the years 1947–1952, which are a part of Federal Records Center Accession No. 68 A 5159. (1 ft.)

MSA Files, Lot W 3127

Files of the Office of the Deputy Director for Congressional Relations of the Mutual Security Agency for the years 1953–1954. These files, presently administered by AID, were retired by the ICA and are a part of Federal Records Center Accession No. 57 A 709. (1 ft.)

MSA Telegram Files, Lot W 130

Serial telegram files of incoming MSA cables for the year 1952, as maintained by the Administrative Services Division of the MSA and subsequently retired by FOA. These files, presently administered by AID, are a part of Federal Records Center Accession No. 54 A 298. (10 ft.)

MSA Telegram Files, Lot W 131

Serial telegram files of outgoing MSA cables for the year 1952, as maintained by the Administrative Services Division of the MSA and subsequently retired by FOA. These files, presently administered by AID, are a part of Federal Records Center Accession No. 54 A 298. (13 ft.)

MSA-FOA Telegram Files, Lot W 130

Serial telegram files of incoming MSA and FOA cables for the period January 1953-June 1954, as maintained by the Administrative Services Division of the MSA and FOA and subsequently retired by FOA. These files, presently administered by AID, are a part of Federal Records Center Accession No. 55 A 374. (15 ft.)

MSA-FOA Telegram Files, Lot W 131

Serial telgram files of outgoing MSA and FOA cables for the period January 1953-June 1954, as maintained by the Administrative Services Division of the MSA and FOA and subsequently retired by FOA. These files, presently administered by AID, are a part of Federal Records Center Accession No. 55 A 378. (15 ft.)

NAC Files, Lot 60 F 137

Master file of documents of the National Advisory Council on International Monetary and Financial Problems for the years 1945-1958 as maintained by the Bureau of Economic Affairs of the Department of State. (15 ft.)

OCB Files, Lot 62 D 430

Master files of the Operations Coordinating Board for the years 1953-1960, as maintained by the Executive Secretariat of the Department of State. (17 ft.)

OEEC Files, Lot 56 D 217

Master file of documents from the Organization for European Economic Cooperation for the years 1948-1957 as consolidated by the Records Management Division of the Department of State. (99 ft.)

ON Files, Lot 60 D 641

Collection of memoranda of the Press Conferences of the Secretary of State (1935-1955), Department of State Radio (Wireless) Bulletins (1935-1946), News Digests (1945-1952), and other unclassified press materials for the years 1906-1954, as maintained by the Office of News, Bureau of Public Affairs. (34 ft.)

Oslo Embassy Files, Lot 61 F 15

Top secret files of the Embassy in Norway for the years 1945-1952, which are a part of Federal Records Center Accession No. 68 A 5159. (1 ft.)

PPS Files, Lot 64 D 563

Master file of documents, drafts, records of meetings, memoranda, and related correspondence of the Policy Planning Staff for the years 1947-1953. (42 ft.)

PPS Files, Lot 65 D 101

Master file of documents, drafts, records of meetings, memoranda, and related correspondence of the Policy Planning Staff for the year 1954. (8 ft.)

Presidential Correspondence, Lot 66 D 204

Exchanges of correspondence between the President and the heads of foreign governments for the years 1953-1964, as maintained by the Executive Secretariat of the Department of State. (9 ft.)

PSB Files, Lot 62 D 333

Master file of minutes and papers of the Psychological Strategy Board for the years 1951-1953, as maintained by the Executive Secretariat of the Department of State. (3 ft.)

RA Files, Lot 58 D 374

Office files of the Economic Organization Affairs Section of the Office of European Regional Affairs for the years 1950-1956. (5 ft.)

Rome Embassy Files, Lot 59 F 222

Classified subject files of the Embassy in Italy for the years 1950-1952, which are a part of Federal Records Center Accession No. 59 A 543. (19 ft.)

Rome Embassy Files, Lot 63 F 62

Classified subject files of the Embassy in Italy for the years 1953-1955, which are a part of Federal Records Center Accession No. 64 A 196. (1 ft.)

S/AE Files, Lot 68 D 358

Files relating to atomic energy policy matters for the years 1950-1967, maintained initially by the Office of the Special Assistant to the Secretary of State for Atomic Energy Affairs and later by the Office of Deputy Assistant Secretary of State for Politico-Military Affairs. (2 ft.)

S/ISA Files, Lots 52-19, 52-24, 52-26, 52-40, and 52-51

Files of the Office of the Director, International Security Affairs, Department of State, containing material for the years 1949-1951. These lot files, all of which are included in FRC Acc. No. 62 A 613, include documentation on the operations of the Office of International Security Affairs (S/ISA) and the interdepartmental International Security Affairs Committee (ISAC) during 1950-1951; material on program development and implementation of the Mutual Defense Assistance Program for 1949-1951; and documentation on planning directed toward the establishment of the Mutual Security Program for 1951. The material includes subject and chronological files, and records of various departmental and interdepartmental committees concerned with military assistance and foreign aid during the years 1949-1951. (128 ft.)

S/P-NSC Files, Lot 62 D 1

Serial and subject master file of National Security Council documents and correspondence for the years 1948-1961, as maintained by the Policy Planning Staff. (43 ft.)

S/S-NSC Files, Lot 63 D 351

Serial master file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947-1961, as maintained by the Executive Secretariat of the Department of State. (20 ft.)

S/S-NSC Files, Lot 66 D 148

Miscellaneous files concerning subjects considered by the National Security Council during the period 1949-1962, as maintained by the Executive Secretariat of the Department of State. (3 ft.)

S/S–NSC (Miscellaneous) Files, Lot 66 D 95

Administrative and miscellaneous National Security Council documentation, including NSC Records of Action, as maintained by the Executive Secretariat of the Department of State for the years 1947–1963. (9 ft.)

Secretary's Daily Meetings, Lot 58 D 609

Chronological collection of the records of the Secretary of State's daily meetings with top Department of State officials for the years 1949–1952, as maintained by the Special Assistant to the Secretary of State. (5/12 ft.)

Secretary's Letters, Lot 56 D 459

Correspondence of the Secretary of State for the years 1945–1956, as maintained by the Executive Secretariat. (3⅓ ft.)

Secretary's Memoranda, Lot 53 D 444

Comprehensive chronological collections of the Secretary of State's memoranda, memoranda of conversation, and memoranda of conversation with the President for the years 1947–1953, as maintained by the Executive Secretariat of the Department of State. (15 ft.)

Secretary's Memoranda of Conversation, Lot 64 D 199

Chronological collections of the Secretary of State's memoranda of conversation and the Under Secretary of State's memoranda of conversation for the years 1953–1960, as maintained by the Executive Secretariat of the Department of State. (7 ft.)

Secretary's Memoranda of Conversation, Lot 65 D 238

Chronological collections of the Secretary of State's memoranda of conversation with the President for the years 1949–1952, memoranda of the Secretary of State and Under Secretary of State for the years 1951–1952, and the Secretary of State's memoranda of conversation with Senator Tom Connally of Texas for the years 1950–1951, as maintained by the Executive Secretariat. (1 ft.)

Secretary's Staff Meetings, Lot 63 D 75

Chronological collections of the minutes of the Secretary of State's staff meetings during the years 1952–1960, as maintained by the Executive Secretariat of the Department of State. (4 ft.)

Spanish Desk Files, Lot 59 D 108

Working files of the Spanish and Portuguese desks for the years 1950–1958 as maintained in the Division of French-Iberian Affairs, Office of Western European Affairs. (3 ft.)

State–JCS Meetings, Lot 61 D 417

Top secret records of meetings between representatives of the Department of State and the Joint Chiefs of Staff for the years 1951–1959 and selected problem files on the Middle East for the period 1954–1956, as maintained by the Executive Secretariat of the Department of State. (3 ft.)

Stockholm Embassy Files, Lot 56 F 57

Top secret correspondence files of the Embassy in Sweden for the years 1943–1953, which are a part of Federal Records Center Accession No. 68 A 5159. (1 ft.)

U/MSA Files, Lot 56 D 551

Files of the Office of the Special Assistant for Mutual Security Affairs for the years 1954-1956. (2 ft.)

U/MSA Files, Lot 59 D 355

Files of the Office of the Special Assistant for Mutual Security Affairs relating to the Mutual Assistance and Mutual Security programs for fiscal years 1952-1956. (2 ft.)

U/MSC Files, Lot 59 D 449

Files of the Office of the Special Assistant for Mutual Security Affairs relating to the Mutual Assistance Program for Europe for fiscal years 1952-1956. (1 ft.)

Under Secretary's Meetings, Lot 53 D 250

Master file of records of meetings, documents, summaries, and agenda of the Under Secretary's meetings for the years 1949-1952, as maintained by the Executive Secretariat of the Department of State. (3 ft.)

Eisenhower Library, Abilene, Kansas

Dwight D. Eisenhower Papers

Papers of Dwight D. Eisenhower as President of the United States for the years 1953-1961. This collection, which was maintained by Ann Whitman and has subsequently been called the "Whitman File" has several major parts, including the National Security Council file, the International Meetings file, and the International file.

Dwight D. Eisenhower Records

The daily appointment books of President Eisenhower for the years 1953-1961.

James C. Hagerty Papers

Papers of James C. Hagerty, Press Secretary to the President, for the year 1953-1961.

C.D. Jackson Papers

Papers of C.D. Jackson, Special Assistant to the President for International Affairs for the years 1953-1954.

Princeton University, Princeton, New Jersey

Dulles Papers, Dulles' Appointment Book

Daily log of Secretary of State Dulles' meetings and appointments for the years 1953-1959.

Truman Library

David E. Bell Files

Files of David E. Bell, Administrative Assistant to the President, for the years 1951-1953.

David D. Lloyd Papers

Papers of David D. Lloyd, Administrative Assistant to the President, for the years 1951-1953.

Charles S. Murphy Files

Files of Charles S. Murphy, Special Counsel to the President, for the years 1950–1953.

Myron C. Taylor Papers

Papers of Myron C. Taylor, Personal Representative of the President to the Vatican, for the years 1938–1952.

WESTERN EUROPE

CONTINUED UNITED STATES ENCOURAGEMENT OF EFFORTS TOWARD THE ECONOMIC AND POLITICAL INTEGRATION OF WESTERN EUROPE [1]

No. 1

Editorial Note

On January 30, Senators Fulbright, McMahon, and Sparkman sent a letter to President Truman concerning a resolution which they intended to introduce in the Senate. The resolution called upon the President to take positive steps to encourage the political federation of Europe. For the text of this letter and President Truman's response to it, as well as the text of the resolution which was introduced in the Senate on January 31 as Senate Resolution 269, see Department of State *Bulletin,* February 18, 1952, pages 275–276.

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[1] For previous documentation on this subject, see *Foreign Relations,* 1951, vol. IV, pp. 1 ff.

No. 2

840.33/1-3052

The Chairman of the Schuman Plan Conference (Monnet) to the Ambassador in France (Bruce) [1]

PARIS, January 30, 1952.

MY DEAR DAVID: As you know, the Dutch, the French and the German parliaments have approved the Schuman Plan by large majority and it appears that the process of ratification shld be completed in all the countries before the end of Feb. [2]

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[1] Transmitted to the Department of State in telegram 4595 from Paris, Jan. 30, for the personal attention of the Secretary of State and Harriman.

[2] The Second Chamber of the Netherlands Parliament ratified the Schuman Plan on Oct. 31, 1951, followed by French National Assembly approval on Dec. 13, 1951.
Continued

During the negots, the dels of the six countries have repeatedly expressed the hope that a part of the funds voted by the Congress for Eur shld be earmarked for the coal and steel community, the development of the coal and steel production being one of the most urgent problems to solve in Eur.

In conversations on the Schuman Plan with members of the US admin, I had, as you will remember, the opportunity to mention to them the importance we attach to this possibility.

As chairman of the Schuman Plan conference, I want to call your attn to the importance of the matter now that the US admin is preparing its legislation and budget requirements for foreign assistance, for the FY 1952–1953.

I believe that the economic integration of Eur wld be greatly furthered if the Amer legislation cld be kept sufficiently flexible to allow the US admin to give immed consideration to the financial needs of the European coal and steel community as soon as it begins its operations.

I am sending the same letter to Mr. Averell Harriman.

For documentation concerning these ratification efforts in 1951, see *Foreign Relations*, 1951, vol. IV, pp. 86 ff.

On Jan. 11, 1952, the Bundestag of the Federal Republic of Germany ratified the Schuman Plan in the third and final reading. Despite the need for Bundesrat action on the ratification legislation, McCloy reported that the "Bundestag vote is, for practical purposes, German ratification of plan." (Telegram 1077 from Bonn, Jan. 11; 850.33/1–1152) For information concerning ratification of the Schuman Plan by Belgium, Italy, and Luxembourg, see Document 45.

No. 3

740.5/2–752: Telegram

The Secretary of State to the Office of the United States Deputy Representative on the North Atlantic Council, at London [1]

SECRET WASHINGTON, February 9, 1952—6:28 p. m.

Todep 560. Fol are Dept's comments, which have been cleared with MSA and Gordon, on Brit text (Depto 960 Feb 7 [2]) on NATO-OEEC relationships:

1. Apart from obvious relationship to location argument, we believe Brit attitude toward OEEC–NATO relationship derives funda-

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[1] Drafted by Camp, cleared with Perkins, Cleveland (MSA), and Gordon (DMS), and repeated to Paris.

[2] Not printed; it transmitted the text of an informal explanation of British views on the relationship between the OEEC and NATO to the Department of State. (740.5/2–752)

mentally from two main preoccupations: (1) their desire to shift US–UK relationship from a giver-taker relationship to a partnership relationship. They have always regarded OEEC as embodying the former, and as indicated by their attitude on burden-sharing, are determined that NATO shld embody the latter. (2) They also regard OEEC as a manifestation of US desire for Eur integration and regard NATO as safer forum in which to take coop action, not only because it helps meet problem of their Commonwealth relationships, but also because they are confident that they can go as fast as we can in any move which may involve a sacrifice in sovereignty.

We believe these are real reasons why Brit wish keep functions of NATO and OEEC separate and that Brit text, since it obviously can not make clear these real reasons, is extremely thin, unconvincing, and full of makeweight arguments which will not stand scrutiny.

2. We think it a fundamental mistake to look upon "European integration" and closer NATO relationships as competing concepts or NATO and OEEC as competing orgs. Only when it is clearly recognized that OEEC and NATO are part and parcel of the same idea, i.e. the building of a Western Eur-North Amer partnership, can whole problems of relationship between the two orgs be looked at logically. Fact that both the Europeans and ourselves are now centering our hopes for genuine integration not on a Western Eur federation, but on smaller grouping of EDC countries, and that we have told Brit we do not intend to seek to push them to federate the continent, makes this underlying Brit worry less real than it might have been year or two ago.

3. OEEC is a going concern in econ field, NATO is not. OEEC has a central staff with experience not only with substantive problems, but also with best means of getting action. It also has experience in discovering what types of problems in econ field are susceptible to solution through intergovernmental action and which are not.

4. OEEC has as full members Ger FedRep, Swed, Switz, and Aust. Necessity for participation by FedRep in any econ work affecting Western Eur is so fundamental that it needs no argument. Our analysis of position of neutrals differs from that put forward by Brit. Brit plan essentially makes it easy for neutrals to be neutral and encourages them to draw an early line on extent of participation with NATO powers. Although not wishing to go so far as to drive Swedes and Swiss, particularly Swedes, out of OEEC, we believe it is desirable both politically and economically to encourage them to coop with NATO powers to fullest extent possible. We believe that so long as OEEC is formally distinct from NATO,

Swedes in particular will be prepared work on many problems which under the Brit scheme wld be done only within NATO.

5. If OEEC and NATO are physically located in same place, and if there is a clear recognition on part of the principal NATO govts that OEEC is a useful contributor to NATO concept rather than an irritating competitor, we see no difficulty in having the OEEC do basic work on a great many projects which wld otherwise have to be done wholly in NATO, although at some stage products of OEEC's work may have to be transferred to NATO for further development. For example, unlike Brit we do see a role for the OEEC in future TCC type work. [3] We wld assume that from now on TCC type of operation shld be in nature of a continuing appraisal, and that a large part of basic econ analysis cld be done by secretariat of OEEC and discussed in Council of OEEC.

6. The reports of Comite of Five have already demonstrated that in econ field non-mil aspects of NATO are indistinguishable from kind of work with which OEEC either has already had experience or cld do without change in its terms of reference. Unless, as indicated above, there is explicit recognition that the OEEC is not in conflict with the basic NATO concept, the result will tend to be a period of great duplication of effort, leading to an eventual transfer of functions to NATO, and atrophy on part of OEEC, and a consequent narrowing of the geographic area of coop.

7. Cannot agree that future role of OEEC be restricted to field of intra-European trade and payments. Other constructive fields include for example expanded production basic industries, improved productivity, and conservation scarce materials during defense build-up. Continuing work these problems cannot be isolated from economic implications of current defense effort whence stems key economic issues of day. Unless closely linked to NATO, danger OEEC may fail to keep its activities related to these issues.

8. Completely disagree (a) separate national delegations to OEEC and NATO and (b) complete separation NATO economic staff and OEEC secretariat.

9. MSA preparing separate message expanding on positive aspects role of OEEC.

ACHESON

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[3] For documentation concerning the formation and work of the Temporary Council Committee (TCC), commonly referred to as the "Wisemen," see *Foreign Relations*, 1951, vol. III, Part 1, pp. 1 ff. For a summary of the report of the TCC to the Ninth Session of the North Atlantic Council, which met in Lisbon, Feb. 20–25, see vol. V, Part 1, p. 203.

No. 4

740.5 MSP/2 1352: Telegram

The Acting Secretary of State to the Legation in Switzerland [1]

SECRET WASHINGTON, February 19, 1952—6:47 p. m.

1081. Re Bern's 1005, rptd London 71, Paris 88, which being rptd Vienna and Stockholm. [2]

Dept does not desire modify NATO-OEEC relationship in manner which wld result in withdrawal Switz, Austria, or Sweden from OEEC and Todep 560, rptd Paris 4723 [3] shld be so construed (Todep 560, on which Depintel Feb 12 based being rptd Vienna, Stockholm, Bern). What Dept has in mind is that work of OEEC if it is to be realistic must necessarily take into account econ impact of defense effort and that much of what OEEC does can make contribution to NATO. Relationship with NATO wld remain on informal basis and autonomy and independence OEEC preserved. Essential prob is one of clarification usefulness OEEC rather than basic change.

Bern, Vienna and Stockholm pls comment on probable reactions FonOff to proposed relationship.

Dep desires avoid on one hand conflict and duplication efforts and on other hand eventual atrophy OEEC and consequent narrowing of geographic area of coop.

WEBB

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[1] Drafted by Vance and Lyons, cleared with Camp, Foster, Ronhovde, Byington, Allen, Scott, Dawson, Kaplan, and Gordon, and repeated for action to Vienna and Stockholm and for infomation to London and Paris.

[2] Not printed; in it Ambassador Patterson warned the Department of State that Switzerland would withdraw from OEEC if it became the economic arm of NATO. He stated that Switzerland does not object too strongly to covert cooperation between OEEC and NATO but would leave OEEC if the cooperation was brought too far into the open. (740.5 MSP/2-1352)

[3] *Supra.*

No. 5

740.5 MSP/2-2252: Telegram

The Ambassador in Switzerland (Patterson) to the Department of State [1]

SECRET BERN, February 22, 1952—2 p. m.

1048. Fol considerations summarize Swiss position OEEC–NATO relationship.

I. Factors for continuation OEEC–EPU membership:

(a) Financial-trade reasons. EPU has helped Swiss exports, despite fluctuations and reintroduction restrictions in certain countries. If pressures make OEEC membership impossible in future, Swiss still interested retaining EPU membership.

(b) Through OEEC, contact with NATO possible, and this only official way.

(c) In considering withdrawal from OEEC, Swiss aware that bilateral approach to trade wld not have same strength as before liberalization. Chief trade partners wld have other commitments—both defense and economic—which wld make Swiss bargaining extremely difficult. Presently Swiss Commerce Division still interested bilateral approach, but do not feel they retain balance of power this point.

(d) Swiss are members OEEC and very definite impetus needed to crystallize withdrawal. Petitpierre and Hotz recent speeches have emphasized probable continuation this membership.

(e) OEEC and EPU only orgs (except comite internatl materials conf) Swiss represented as full member, and definite psychological appeal in continuation such membership.

II. Factors against:

(a) Prejudicing neutral status (see 1005, Feb 15 [*13*] from Bern [2]).

(b) If substance removed OEEC through NATO, Schuman Plan, etc. no reason for remaining.

III. As stated reference, Swiss can accept continued coop NATO with OEEC on specific projects. They do accept logic our position of avoiding duplication. So far as possible, essential that minimum of publicity be given such coop to avoid Swiss embarrassment.

IV. Reams discussed with Zehnder OEEC question in passing, referring to Swiss OEEC delegs statements. Zehnder stressed necessity for retaining OEEC independence, if Switz and Sweden to remain. This does not exclude use of OEEC facilities for NATO work but wld be impossible from Switz view for OEEC study armaments or strictly mil matters for example. If this can be avoided, ways and means can be found of continuing coop.

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[1] Repeated to Paris.

[2] See footnote 2, *supra*.

Zehnder added that Swiss most interested retaining membership for reason (e), as Swiss do not want isolation. He added his view that from point of finance and trade, membership makes little difference.

PATTERSON

No. 6

Editorial Note

During the Ninth Session of the North Atlantic Council, which met in Lisbon, February 20–25, discussion was held concerning the relationship between the OEEC and NATO. For documentation concerning the Session, see volume V, Part 1, pages 107 ff.

No. 7

740.5 MSP/3-652: Telegram

The Deputy United States High Commissioner for Austria (Dowling) to the Department of State [1]

SECRET VIENNA, March 6, 1952—8 p. m.

2881. Membership in OEEC, although provoking criticism and recurrent needling on part of Sovs, has constituted important part of Aust international activity with full support of govt and no serious repercussions from Sovs (Deptel 2102, Feb 19 [2]). Aust attitude toward NATO one of sympathetic curiosity but full awareness that any formal or open connection therewith out of question at present. It is Emb's belief that provided proposed functional NATO-OEEC integration preserves separate official identity of the two organizations, Aust would continue to participate in OEEC without nervousness, although it might be expected that Aust representatives would avoid those aspects of work closely connected with NATO. Accordingly, any formalization of work arrangements between NATO and OEEC would probably necessitate Aust withdrawal from latter organization.

DOWLING

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[1] Repeated to Paris and London.

[2] Same as Document 4.

No. 8

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto"

The Deputy United States Special Representative in Europe for Economic Affairs (Porter) to the Chairman of the Council of the Organization for European Economic Cooperation (Stikker) [1]

CONFIDENTIAL PARIS, March 7, 1952.

On instructions of my govt, I am taking this opportunity lay before you certain views about the future development of the Eur economy which may be helpful to the govts represented in the OEEC in considering the action they will take individually and as members of the various Eur regional org which now coordinate Eur action in the econ and finan field.

In the mutual security program, as in the Marshall Plan, the people of the US are assisting West Eur in building strength on the understanding that they are providing out of Amer resources that margin between the maximum that Eur countries can provide by their own efforts and the minimum essential to achieve our common purposes.

The US Govt has felt that the most rapid steps possible shld be taken in Eur to achieve a dynamic expanding economy based on increased productivity. By so doing, Eur will be doing the maximum it can to help itself.

It has been our view that the building of a single market will hasten the achievement of this goal. Real progress has been achieved. The most important step taken by the OEEC in this connection has, we believe, been the establishment of the EPU and the progress made in the difficult task of cutting down quantitative restrictions which have been impeding the flow of intra-Eur trade and thus contributing to inefficient production. However, we all know the difficulties that are being experienced in merely maintaining the progress that has been made so far. On a more limited geographic basis the Schuman Plan, when it comes into operation, shld go very far indeed in providing for the free play of competitive forces among the coal, iron and steel industries of the six countries participating in the plan.

More recently, discussions among these same six Eur countries have developed a bold and imaginative plan for a Eur def community. This community gives promise of promotion, in its econ and finan arrangements, many developments toward an integrated economy which wld be close to the goal of full econ unification. These discussions represent hopes as yet unfulfilled but the hopes were only recently given strong endorsement by the members of NATO mtg in Lisbon and they have the full support of the US. We look forward to the early conclusion and formal approval of these plans so that our hopes may soon become a reality.

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[1] This message, which was transmitted to the Mutual Security Agency in telegram Repto 1088 from Paris, Mar. 7, was sent to Stikker on May 7 with the approval of Draper.

In considering the question of how best to move toward the goal of greater unity, it is useful, I think, to conceive of two different circles of integration. Among certain countries on the Eur continent, as foreshadowed by the Schuman Plan and EDC initiatives, it may soon be possible to build a truly integrated community. Such an integrated community cannot be maintained, however, unless its various parts pursue common finan and monetary policies designed to prevent one part of the community from undergoing rapid increases in inflationary demand while another part of the community is trying to put the brakes on inflation. Without these measures it will never attain its important goal of the expanding economy necessary to the creation of an adequate def and to provision out of its own resources a rising standard of living. A truly integrated community wld have a common commercial policy; tariffs and quantitative restrictions on trade wld have no place within such a community. The community might find it desirable in due course to pool its hard currency reserves and wld presumably pool some part of its budgeted revenues in order to cover the costs of the common def force as well as other services operated from the community level. This in turn might lead to common arrangements for the assessing and collection of public revenues supporting such a common budget. I have mentioned these possibilities as illustrations of the lines along which a continental Eur community might develop. We are prepared to support such developments.

The second circle of integration in which we believe further progress can be made is in the broader Eur region which the OEEC represents in the North Atlantic area covered by NATO. We believe that the OEEC and NATO can provide an even more important link among their members than they have in the past and that these ties will be strengthened rather than weakened by the development among some of their members of more far-reaching arrangements such as Schuman Plan and the EDC and even further federation.

The OEEC in the coming year has many important tasks before it. One of the most urgent is the adoption by the OEEC of effective measures to provide a satis functioning of the EPU. Another major related task before the OEEC in the coming months is to proceed with the liberalization of trade and the establishment of a commercial policy board. It is questionable whether the OEEC will be able to effectively perform either of these tasks, or the vital job of maintaining social stability throughout the OEEC area, unless it makes specific arrangements for insuring the necessary degree of finan stability in the member countries. The current inflationary sitn in several of the member countries is a clear threat to the welfare of the whole community.

These and possibility of other measures to facilitate Eur econ integration that may be adopted by the org, will facilitate the expansion of production. But there are many other things that can be done that will contribute directly to this goal. As the Council of Mins pointed out in its declaration of Aug 29, 1951 the necessities of the DPC program can only be met without reversing the upward trend in the restoration of Eur econ health if production in basic industries, coal in particular, is sharply increased over the next five years. The council at the same time emphasized that increasing productivity is the most essential element in expanding production. There is little doubt that if existing resources of manpower, management, materials and capital resources cld be brought into a relation of optimum efficiency in many branches of Eur industry and agric, the results wld be a substantial expansion in production. The preparatory studies on the econ expansion objective carried on within OEEC need to be translated into concrete programs for expanding the output of basic industries.

The confidence of labor and management that these increases in output will be equitably distributed is an important prerequisite for such a development. Natl and internatl action will also be required to eliminate restrictive business practices which seriously reduce the incentive to increase production and to reduce costs and prices. OEEC will also be concerned in the months ahead with an acceleration and expansion of the work already in hand to insure that scarce materials are used for the best purposes of the area as a whole. In part this is a problem of allocation of commodities like coal, in part a problem of common standards of end-use control on short supply commodities such as copper, and in part more adequate systems of price control.

Another area which we feel needs more attention and renewed effort is the whole question of utilization of Eur manpower. Much remains to be done in overcoming the obstacles which have resulted in the paradox of idleness in some areas and limitations on production in others caused by lack of manpower. An attack needs to be made on the obstacles to labor mobility, particularly as they impede essential production, and we believe that more attn shld be given to providing more adequate housing as an aid to the movement of labor.

These are the principal lines of endeavor which we feel cld be pursued by the org in the coming months so as to maintain the impetus of the Marshall Plan and to continue the bldg of a strong and unified West Eur economy.

The work that will be undertaken by OEEC in these and other fields will of course be coordinated as in the past with what is done by other internatl orgs. The recent Lisbon conf of the NATO drew attn to the possibility of working out closer cooperative arrangements with other bodies, particularly the OEEC. We suggest therefore that OEEC in considering its future tasks will wish to examine its relations with the NATO, a problem that increases in importance as a result of the forthcoming transfer of the NATO to Paris.

US support to the recovery of Eur and to its rearmament has been on an unprecedented scale because of our belief in the importance of Eur to the free world and in the vigor and sincerity of Eur's own efforts, without which US aid cld do nothing. As we have progressed together in building the polit and econ foundations of the North Atlantic community, the opportunity has arisen for more fundamental and far-reaching changes to be made by the Europeans in their polit and econ institutions in order to achieve for themselves the greatest benefit from the outstanding human and material resources which they possess. The US Govt and people are confident that Eur will seize and make the most of this great opportunity.

PORTER

No. 9

NAC files, lot 60 D 137, "NAC Documents"

Report Prepared by the Staff Committee of the National Advisory Council [1]

CONFIDENTIAL [WASHINGTON,] March 11, 1952.

ALTERNATIVE A

Subject: European Payments Union [2]

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[1] This report was circulated as NAC Document No. 1273. Attached to the source text was a covering memorandum by the Staff Committee to the members of the National Advisory Council which indicated that the two alternative actions on the EPU resulted from a meeting of the Staff Committee on Mar. 11. This report was discussed during the 190th meeting of the NAC on Mar. 13; for the minutes of that meeting, see *infra*.

[2] Numerous reports were written during this re-examination of U.S. policy toward the EPU, including the following: NAC Staff Documents No. 561 and 562 by the

Continued

Recommended Action:

The National Advisory Council advises the Director for Mutual Security that:

I. General Principles

The Council, having reviewed the developments under the European Payments Union in the past two years, reaffirms the principles set forth in Part I of its action on January 23, 1950 (Action No. 383 [3]) and considers that in future relations between the U.S. Government and the Union the following additional considerations should guide the U.S. Government.

A. The Council considers that the U.S. Government should oppose any action by the Union favoring measures by any participating country to impose discriminatory restrictions on transactions with the dollar area for purposes of adjusting intra-European balance of payments.

B. The Council further considers that the United States should continue to follow the general policy, both bilaterally and in any appropriate relations with multilateral agencies, of exerting its influence to strengthen weak currencies within the Union, and to discourage pressure on stronger countries to weaken their currencies for purposes of adjusting balances of payments within the Union.

II. Financial Relations Between the U.S. Government and the European Payments Union

A. The future of the European Payments Union in form and function is primarily a European problem. The Council concurs with the Mutual Security Agency that there is no present need for a further United States contribution to the capital fund of the European Payments Union. In the event that the Mutual Security Agency is of the opinion at some future time that an additional capital contribution to the European Payments Union is necessary, a proposal to make such a contribution should be brought before the National Advisory Council for consideration.

B. In the allocation of United States assistance and the administration of offshore procurement, no policy decisions which may be

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Treasury Department, NAC Staff Document No. 563 by the Mutual Security Agency, and NAC Staff Document No. 566 by the Working Group on EPU. Copies of these documents are in NAC files, lot 60 D 137, "NAC Staff Documents."

[3] Not printed. NAC Action No. 383, which laid the groundwork for the establishment of a "European clearing union," was approved by the National Advisory Council on Jan. 23, 1950. A copy of Action No. 383 is in NAC files, lot 60 D 137, "NAC Actions"; the minutes of the Jan. 23 meeting are in NAC files, lot 60 D 137, "NAC Minutes." For documentation concerning the creation of the European Payments Union, see *Foreign Relations*, 1950, vol. III, pp. 611 ff.

expected to have important effects on the resources of the European Payments Union should be taken without consultation with the National Advisory Council.

C. The Council further recommends that MSA review its procedure for extending assistance to countries having debtor positions in the Union, for the purpose of determining whether all feasible measures are being taken to insure that expenditures are being made in the cheapest world markets in order to conserve dollars and to further progress toward a competitive level of European prices.

III. Management of European Payments Union and United States Participation Therein

A. The Council reaffirms its recommendation of January 1950 that the United States should not participate in the management of the European Payments Union. To the extent that any United States representatives participate as observers in discussions of EPU problems they should endeavor to further the objectives of United States policies, including the financial and commercial policies as set forth in IMF and GATT. In dealing with such questions there should be consultation with the National Advisory Council as specific problems of coordination arise.

IV. Coordination of U.S. Position in the European Payments Union with U.S. Position in International Monetary Fund and GATT

A. The Council considers it a matter of highest importance that any position taken by United States representatives with respect to the European Payments Union or its individual members should be consistent with the policies of the United States in the International Monetary Fund and GATT, particularly with respect to exchange rates, exchange restrictions, monetary policies and commercial policies. It recommends that the agencies of the Government principally concerned with the United States positions in IMF, EPU and GATT obtain or make proposals which would promote the effective coordination of the policies and actions of these institutions for consideration by the Council or other appropriate interagency body. It recommends further that the United States Executive Director of the Fund and the Director for Mutual Security use their best efforts to promote an effective coordination between the IMF and EPU as to procedures and conditions applying to the use of resources of the two institutions.

ALTERNATIVE B

Subject: European Payments Union

Recommended Action:

The National Advisory Council advises the Director for Mutual Security that:

I. General Principles

The Council, having reviewed the developments under the European Payments Union in the past two years, reaffirms the principles set forth in Part I of its action of January 23, 1950 (Action No. 383) and considers that in future relations between the U.S. Government and the Union the following additional considerations should guide the U.S. Government.

A. The European Payments Union is to be regarded as a transitional organization, rather than a permanent institution, and an extension of the underlying agreement should accordingly be limited to a period of not more than one year in order to provide for an appropriate review of United States policy with respect to the European Payments Union at that time.

B. The Council considers that the U.S. Government should oppose any action by the Union favoring measures by any participating country to impose discriminatory restrictions on transactions with the dollar area for purposes of adjusting intra-European balance of payments. The Council also recommends that the U.S. Government should exercise its influence insofar as appropriate within the European Payments Union to facilitate movement toward non-discriminatory trade on a global basis and convertibility of currencies, in order to build sound industrial and agricultural strength and to bring about a balanced competitive relationship between the European economy and the rest of the world.

C. The Council further considers that the United States should follow a general policy, both bilaterally and in any appropriate relations with multilateral agencies, of exerting its influence to strengthen weak currencies within the Union, and to discourage EPU pressure on stronger countries to inflate for purposes of adjusting balances of payments within the Union.

II. Financial Relations Between the U.S. Government and the European Payments Union

A. The future of the European Payments Union in form and function must remain essentially a European problem. Accordingly, the U.S. Government should not make any further United States contribution to the capital fund of the European Payments Union and no explicit or implicit commitments for such aid should be given.

B. In the allocation of United States assistance and the administration of offshore procurement, the Council is of the opinion that decisions should be taken on their merits without taking into account the effect of such decisions on the assets and functioning of the European Payments Union.

C. The Council further recommends that, in the provision of assistance to countries having debtor positions in the Union, consideration be given to the advisability of converting allocations of assistance now specifically limited to the settlement of EPU deficits into more general allocations available for expenditure in the cheapest world markets, with a view to furthering progress toward a competitive level of European prices.

III. Management of European Payments Union and United States Participation Therein

A. The Council reaffirms its recommendation of January 1950 that the United States should not participate in the management of the European Payments Union. This would not preclude a United States observer during the period in which the original United States capital contribution continues to be drawn upon, nor would it preclude United States veto power on drawings against the original United States capital contribution, but, in general, the role of the observer should be one of intervening to protect United States interests rather than pressing policy objectives on the management of the Union.

B. To the extent that any United States representatives participate in discussions of EPU problems they should endeavor to further the objectives of United States policy as set forth in IMF and GATT. In dealing with such questions United States representatives should consult with the National Advisory Council as specific problems arise.

IV. Coordination of U.S. Position in the European Payments Union with U.S. Position in International Monetary Fund and GATT

A. The Council considers it a matter of highest importance that any position taken by United States representatives with respect to the European Payments Union should be consistent with the policies of the United States in the International Monetary Fund and GATT, particularly with respect to exchange rates, exchange restrictions, monetary policies and commercial policies. It recommends that the U.S. Executive Director on the Fund and the appropriate representative of the Director for Mutual Security undertake to bring about such coordination directly and through careful review by the National Advisory Council of all important policy decisions before they are expressed by any United States representative.

B. The Council draws attention to the great importance in European payments problems of appropriate exchange policies and recommends that exchange questions arising in connection with the European Payments Union be referred to the International Monetary Fund for appropriate review in accordance with the general procedures of the Fund.

No. 10

NAC files, lot 60 D 137, "NAC Minutes"

Minutes of the 190th Meeting of the National Advisory Council on International Monetary and Financial Problems, March 13, 1952[1]

SECRET

Participants:

- Secretary John W. Snyder (Chairman), Treasury Department
- Mr. Leroy D. Stinebower, State Department
- Mr. Jack C. Corbett, State Department
- Mr. J. J. Stonger, State Department
- Mr. J. Thomas Schneider, Commerce Department
- Mr. Clarence I. Blau, Commerce Department
- Mr. Frederick Strauss, Commerce Department
- Mr. William McC. Martin, Jr., Board of Governors, Federal Reserve System
- Mr. Arthur Marget, Board of Governors, Federal Reserve System
- Mr. Lewis Dembitz, Board of Governors, Federal Reserve System
- Mr. Hawthrone Arey, Export-Import Bank
- Mr. Edward Lynch, Export-Import Bank
- Mr. W. Averell Harriman, Office of Director for Mutual Security
- Mr. C. Tyler Wood, Mutual Security Agency
- Mr. Lincoln Gordon, Mutual Security Agency
- Mr. Melville E. Locker, Mutual Security Agency
- Mr. Frank A. Southard, Jr., International Monetary Fund
- Mr. John S. Hooker, International Bank
- Mr. Walter C. Louchheim, Jr., Securities and Exchange Commission
- Mr. Andrew M. Overby, Treasury Department
- Mr. George H. Willis, Treasury Department
- Mr. Elting Arnold, Treasury Department
- Mr. George Bronz, Treasury Department
- Mr. Henry J. Bittermann, Treasury Department
- Mr. Arthur W. Stuart, Treasury Department
- Mr. C. Dillon Glendinning (Secretary)
- Mr. Allan J. Fisher, NAC Secretariat

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[1] No drafting date was given in the source text. The last paragraph of these minutes indicates that they were not completed until after May 5.

Mr. Sidney B. Wachtel, NAC Secretariat
Mr. James W. Westcott, NAC Secretariat

[Here follow a table of contents and brief discussion of the Philippine exchange tax.]

2. European Payments Union

A. Statement of the Problem

Mr. Glendinning pointed out that one of the matters to be considered in connection with the presentation of this year's foreign assistance program was that the European Payments Union agreement would shortly be up for extension from its present termination date of June 30, 1952. The Staff Committee had reviewed the history of the EPU as well as the previous Council action of January 23, 1950 (Action No. 383 [2]), and the issues were being presented to the Council for possible action (NAC Document No. 1273 [3]).

Mr. Glendinning continued that Alternative A gave an outline of the majority views in the Staff Committee, and Alternative B outlined the minority views. Because of the length of the two alternative actions, he proposed to stress the differences in the two versions.

I. *General Principles*

The major difference was that Alternative B contained the statement that the Payments Union should be regarded as transitional and not permanent and that the extension of an underlying agreement should be limited to a period of one year.

In addition, Alternative B contained a statement emphasizing that the U.S. influence in EPU should be directed toward working for multilateral trade on a global basis and convertibility of currencies. Alternative A omitted such a statement on the ground that this general thesis was covered in the previous action of the Council on EPU (Action No. 383) which was reaffirmed in the opening paragraph of Part I.

II. *Financial Relations Between U.S. Government and European Payments Union*

The major difference lay in the attitude toward a possible capital contribution to the Payments Union. Alternative A expressed Council concurrrence that there was no present need for a capital contribution to EPU and stated that MSA would bring the matter before the Council if it deemed an additional capital contribution in the future to be necessary and desirable.

Alternative B emphasized that no commitments should be made that a further capital contribution would be forthcoming, and also stated that as a matter of policy the U.S. Government should not make a further capital contribution.

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[2] See footnote 3, *supra*.

[3] *Supra*.

There was also a difference of emphasis with respect to the allocation of assistance and the administration of offshore procurement. Alternative A said that no decision in this field should be taken which would have an effect on EPU without consultation with the NAC. Alternative B stressed that decisions on these matters should be made on an individual country basis, without taking into account their effect on the assets and functioning of EPU.

III. *Management of EPU and U.S. Participation Therein*

The difference between drafts A and B was a matter of emphasis. Alternative B suggested a somewhat less active role for the U.S. observer in EPU than did Alternative A.

IV. *Coordination of U.S. Position in EPU with U.S. Position in IMF and GATT*

Both Alternative A and Alternative B stressed the importance of appropriate coordination of views expressed by U.S. representatives in the Fund and GATT in relation to intra-European payments problems. Alternative A stressed coordination as to procedures and conditions applied to use of resources of the IMF and EPU. Alternative B stressed coordination of policies with respect to exchange rates, exchange restrictions and monetary and commercial policies, and emphasized that exchange rate matters should be referred to the Fund.

B. Discussion

Mr. Harriman indicated that there were two principal differences in the alternatives. One of the differences was that Alternative B called for limiting an extension of the EPU agreement to not more than one year. He pointed out that the Council must recognize that many political implications were involved in any position taken. The EPU is a European institution and as such, it has been put forward both in Europe and here in the United States as a substantial step toward what the Congress has demanded, i.e., the integration of Europe. There are many important developments going on in Europe, he continued, and there may be a real move toward federation in the next 15 months. Every member of the Senate and House who was in Europe last year has said additional efforts should be made to bring about integration. To announce that the EPU was to be extended for only one year more would have very definite adverse political effects both in Europe and in the United States, because it would be reversing our previous position that EPU is an important factor in bringing about integration along the lines the U.S. wants.

Mr. Harriman continued that the second principal difference in the two alternatives was the question of making any further contribution to EPU. He stated that it was not the policy of the Mutual Security Agency to give any indication of additional assistance to EPU, nor did the MSA have any plans to give additional assistance; but to close the door completely would be a mistake. He stressed the fact that the Mutual Security Agency would always come to the Council before giving an indication of any change in policy.

Mr. Harriman said he felt, therefore, that although he had not been able to study all the implications, Alternative A best described the position the Council should continue to take and recognized more accurately than Alternative B that although the EPU is a European affair, important U.S. interests are involved. He thought that most of the details could be ironed out on the Staff Committee level and that the differences involved matters of emphasis rather than of principle. The EPU had been useful in breaking down trade barriers in Europe, and much more would have been accomplished had it not been for Korea, with the doubling of the defense effort in Europe and the resulting balance of payments problem. We have been expecting many countries to do more than they can.

Mr. Harriman continued that the pressure of EPU for the liberalization of trade has been a healthy development. He concluded that the United States must realize that Europe is in an acute financial condition, and no impression should be given at this time that the United States is changing its attitudes and policies. Rather the United States should put pressure on specific things the Europeans should do to put their houses in order.

The Chairman commented that another question to consider was what the end result would be if we continue to encourage the EPU. The EPU was originally set up as a transitory arrangement, and it had been hoped that it would be able to accomplish something. But for the United States to continue to sponsor the EPU by supplying dollars was something that needed to be carefully considered. This might result in building up an area that would exclude United States trade, a condition that presumably we are trying to correct. There are two international organizations to which the United States has contributed very heavily. The building up of regional organizations which might compete with these global organizations is a matter that the Council should discuss carefully to see which way we are going, he said.

Mr. Martin remarked that he had a good deal of sympathy with Mr. Harriman with respect to the political aspect. He recalled, however, that the earlier decision to accept the concept of the EPU had been arrived at only after prolonged consideration, and with reservations on the part of several Council members. There was a great deal to the Chairman's concern with the question of further dollar contributions. The critical point, he continued, was whether there should be a further U.S. contribution, and of not getting into a position where the whole effort will have been wasted if we do not continue to put in dollars. The EPU is essentially a European problem, and earning capacity should be developed, so that Europe can stand on its own feet without additional assistance. Involved in this is action directed toward multilateral trade on a non-discriminatory basis, and convertibility. This aspect was covered in both drafts, but it should be made clear that in its enthusiasm for the political aspect the United States should not become irrevocably committed to continuous additional dollar aid to maintain EPU. Mr. Martin added that he did not know at what point the possibility of further aid should be ruled out.

The Chairman commented that the Council was aware of the problem Mr. Harriman outlined. Europe is facing a serious situation, one we are struggling with constantly in NATO and the MSA. A part of the U.S. desire is to try to stabilize the economies of these countries in order to enable them to retain their sovereignties unimpaired while at the same time carrying out their part of the defense program. It was necessary to weigh carefully the implications of whatever decisions were reached.

Mr. Stinebower said the State Department was torn by the same conflicting considerations as everyone else. On balance it tended to look at the problem more from Mr. Harriman's viewpoint rather than from the somewhat more restricted view of Alternative B. There were no fundamental differences, he observed, since the continuation of the EPU at this time was not challenged. Furthermore, all would agree that there was no intent now for an additional capital contribution. The flexibility implied in Alternative A would exist even if Alternative B were adopted. If overwhelming circumstances arose, Mr. Harriman would ask the Council to consider the problem, but perhaps there was a somewhat stronger presumption in Alternative B that no further capital contribution would be made even if dire circumstances should develop. The Department, and Secretary Acheson personally, he concluded, had come to appreciate the very real significance and importance the European countries attach to the EPU as a symbol of European integration. The State Department would tend to prefer Alternative A to B.

Mr. Schneider said the general feeling of Secretary Sawyer and of the Commerce Department was to prefer Alternative B. However, he could not see any really substantial differences with respect to Section II A in the two drafts, although Alternative A contained a sentence which was not in B. ("In the event that the Mutual Security Agency is of the opinion at some future time that an additional capital contribution to the European Payments Union is necessary, a proposal to make such a contribution should be brought before the National Advisory Council for consideration.") He asked whether it was necessary to include this statement. MSA would naturally bring the question to the Council if it thought an additional capital contribution were desirable, and the Council would consider the proposal. If that language were left out there were no substantial differences between the two versions. Or, if the words "at this time" were added to Alternative B, the two formulations would be similar. Mr. Schneider added that there was some language in Alternative A that Commerce Department would accept in preference to the language in B, and that the foregoing remarks were directed primarily toward Section II A. However, if a vote were taken now, Commerce Department would take the language in Alternative B.

Mr. Arey said the Export-Import Bank also favored Alternative B.

Mr. Overby stated that the point of Alternative B is that the EPU should be regarded by the United States representatives as a transitional arrangement.

Mr. Harriman remarked that the psychological effect abroad of the two formulations would be quite different. Some of the language in Alternative B would have a depressing influence and would have an adverse effect on the force and vigor with which the Europeans pursue a policy of integration. In the executive and legislative branches of European countries there are strong pressures battling for integration while others are battling against it for selfish national reasons. Any indication that the United States is retreating from its support of integration will help those influences which are not working in the direction of our policies, and will weaken the position of those who are battling for us and who have the upper hand at this time. Although the language in the alternatives might not appear to be very different, they would give quite a different impression abroad.

Mr. Arey inquired whether it was not true that the action was designed to advise the Director for Mutual Security, and was not for publication.

The Chairman explained that the Council's position was one of consultation and of expressing its views to one of its members in keeping with its responsibilities. There was another problem to consider, he continued. The more the United States supports and encourages institutions such as EPU, the more it solidifies the Payments Union and postpones the time when the United States can bring about better conditions with respect to the dollar and the U.S. trade position. It could be said there was no problem about the dollar now, but there may be a day before too long when we may be concerned about its position in world trade, and we do not want to build up an organization that would place us at a complete disadvantage in future world trade. The Chairman remarked that he did not believe Congress intended to support any such position.

The Chairman further observed that there seemed to be an underlying presumption that EPU had been a success. He did not think all the Council members would agree that EPU has been an outstanding success. There were some who had had doubts whether the Union should have been set up in the first place. Now that it is in operation, the Council had to take a position as to whether the Union should stay in operation.

Referring to Mr. Arey's comment as to publicity, Mr. Harriman called attention to the "one-year clause" in Alternative B. He said it would be difficult to conceal such a provision from the people abroad, and, if they found out, the effect would be disastrous. MSA wished to use its influence to maintain an open position.

Mr. Schneider asked what was accomplished by saying that extension of the agreement should be limited to one year, and inquired whether the extension of the agreement could not be left with an open end.

The Chairman, emphasizing that he was speaking only as an individual and that each member of the Council could speak freely, said that in his view the action should indicate clearly that the EPU has a limited term of life and is not something the United States wants carefully to nurture into a permanent organization. Mr. Schneider suggested that this was on the theory that if the organization were to be permanent, it would adversely affect U.S. trade. The Chairman continued that the Council did not want to take any step that would upset any of the objectives of U.S. foreign policy, but that these problems must be faced with a full realization of what they may lead to.

Mr. Harriman stated that it would be disastrous to accept the recommendation of a one-year limitation. It would be reversal of all present policies, and he could not conceive of Europe's going ahead with the defense program in this coming year if it were adopted. He reiterated that he could not express strongly enough that Alternative B, as now drafted, would have a disastrous effect on United States policy. Mr. Harriman continued that he agreed that the United States wants to work toward convertibility and nondiscrimination. He said his agency had tried to avoid discrimination in Europe, to develop one market, and to induce the European countries to adopt policies that will get them into balance and eliminate high cost production in Europe. This policy had had substantial effects even though there were difficulties ahead. However, to give any indication of a change in policy toward integration in Europe would be little short of disastrous.

Mr. Southard said there was one point in his special field of responsibility which he would like to make. The last sentence of Alternative A seemed to imply rather more confidence than the Council at this stage might have as to the extent to which the resources of the Fund and the EPU could be used in coordination with one another. The whole question of whether the Fund could have a relation with the EPU, as far as resources are concerned, depends solely upon whether the Fund permits drawings by European members of the Fund. The most important operating question the Council may face in the next six months may be related to possible drawings on the Fund by European countries. Mr. Southard said he hoped that sentence would not be interpreted as an order to Mr. Harriman and to himself to try to work out some kind of coordination. While something could be done in this respect, it was very much a matter of evolution and practical possibilities. Mr. Southard also expressed concern over the last clause ("by any United States representative") in Section IV A of Alternative B, which could be interpreted by a conscientious U.S. Executive Director to mean that he should not express any views on important policy decisions before coming to the Council. He thought the difficulty was primarily a matter of wording. If the Council were to approve Alternative B, he would want to enter a small reservation; he would have a lot of worries about Section IV of Alternative A.

The Chairman said that this was an important point, involving United States representatives in two different spheres. One would have operating responsibilities which might be in conflict with the purposes of the other organization.

Mr. Southard suggested that the last part of Paragraph IV A of Alternative B could say that coordination should be brought about "through careful review by the National Advisory Council of all important policy *questions before the views of the United States Government on them are expressed*" (underlining indicates new language).[4] This would differentiate between individual views of United States representatives and official views of the United States Government. Mr. Southard pointed out that in practice there had been no problem.

Mr. Stinebower commented that within the framework of Alternative B Mr. Southard had suggested a useful and almost necessary amendment. It would be a little difficult to modify the present language of Alternative B to take account of the fact that the EPU cuts across the IMF and GATT. This problem was handled somewhat better in Alternative A, and he hoped it would be possible to marry some parts of Alternative A, which was more particularly oriented toward all three institutions, to Alternative B. He said further that if Mr. Acheson were present, the Secretary of State would strongly support Mr. Harriman in his objection to a one-year limitation and in stressing the importance of moving toward closer European integration. He would feel strongly against any formal action which would put a specific time limit on the EPU.

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[4] Printed here as italics.

Mr. Martin replied that he did not think the action was intended in any way to say that the Council was against the integration of Europe. Rather, he believed the question to be to what extent the United States was to pay the bill for Europe. He presumed the action was intended to focus on the fact that if United States assistance is the only way we can assist the integration of Europe through the EPU, the problem should be reviewed periodically, and if a definite time is not set for the review, the obvious implication is that the EPU would go on ad infinitum.

The Chairman concurred with Mr. Martin and added that otherwise the United States would be saying that it would support the EPU without limit. He thought this would be going beyond any dictates of good judgment as to what the United States should do.

Mr Arey said he understood that the one-year limitation was included in order to provide an appropriate review by the United States again at the end of that period.

The Chairman said the thinking was that the next year the U.S. would take another look and if the operations of the EPU were completely contrary to the national interest of the United States appropriate action could be taken. He thought the language of the proposed action could be modified so the operations of the EPU would not be disrupted. However, he did not think the impression should be given that the United States was approving the EPU for an unlimited time.

Mr. Harriman remarked that it would be necessary constantly to review everything EPU did. He added that MSA did not have any plans to put additional money into the EPU. The plans for integration would continue. However, it would be the *announcement* that the agreement is to last only one year which would have a bad psychological effect.

Mr. Schneider suggested that the language be modified to indicate that the EPU represented a transitional stage. Mr. Harriman questioned the use of the term "transitional". The Chairman replied that the transitional aspect was just what the Council was concerned about at this time. If EPU should develop into an institution that will hurt United States trade, the United States would be working completely against its national interests. If the EPU is a useful institution, he added, the Europeans should build it up themselves. Mr. Harriman responded that the United States can very easily force Europe to return to bilateralism. The Chairman replied that no one desired that, but that it is important to promote European efforts to help themselves. If the Europeans are led to believe that the United States will support them continually, then they will never help themselves. Mr. Harriman stated that it was made very plain that the EPU is a European institution with European responsibilities.

The Chairman said that he understood the feeling around the table was that the Council was expecting to take a look at this problem annually to see how the EPU was operating, and how far the United States wants to continue to lend support to the institution, and that it should be made clear the United States was not implying further dollar assistance at this time. Mr. Harriman replied that there was no disagreement on the proposition that at the present time no additional funds were contemplated. However, he wanted the action to conform to the fundamental United States policy of working toward the integration of Europe and the breaking down of trade barriers, which have an effect on Europe's ability to survive, let alone its ability to carry out a defense program. He thought the United States should continue to tell the Europeans that the EPU is an European institution designed to work toward convertibility and non-discrimination, but not to tell them it is a transitory institution. He suggested that we could say it is a transitory institution working toward federation, which is what we thought at the start.

Mr. Harriman added that all recognized at the beginning that the EPU was transitory in sense of progress toward something better, e.g., multilateralism. He did not like the implication that it was transitory in the sense of soon being broken up. The Chairman said his understanding was that EPU was to be transitory in existence, and that it was not intended to set up something which would be contrary to the Fund. Mr. Harriman replied that there was certainly no disagreement that we should not support an institution that is not in our interest, but he was concerned about the political consideration abroad and by the demands of Congress that the United States should press toward federation and the breaking up of historic trade barriers. He thought it was a bad moment to imply that the United States is going to try to break up the Union. MSA was in hearty agreement that we shold try to have the EPU move in the direction we wanted it to move.

Mr. Schneider asked whether it was correct that the EPU was solvent and was not likely to need funds in the near future. The Chairman said he understood the dollar position of EPU was fairly comfortable at present, but there was no telling how long that condition would last.

Mr. Harriman added that the position of some countries was acute as a result of their position in dollar trade. The French, as a result of capital flight and other factors, are in a difficult position. The EPU can bring pressure to change policies to assist countries in difficulty, as in the Dutch case. Therefore, there have been some helpful influences exerted in getting countries which have been in a bad way to adopt appropriate policies. The EPU has enough money but some countries have difficulty in finding ways and means of paying up under the provisions of EPU. This has lead to substantial intra-European credits which have been useful.

Mr. Schneider further inquired whether the United States would get back its capital contribution if the EPU were closed out. Mr. Locker said that in the event of liquidation the United States would have control over the disposition of dollars remaining in the capital fund.

The Chairman suggested that the Staff Committee be asked to go into immediate session to see if they could resolve the difficulties and then circulate another draft action among the Council members. This was agreed, and the meeting closed with the understanding that the Staff Committee would draft a new recommended action based on the Council discussion. (The Staff Committee convened immediately following the above meeting (Staff Meeting No. 329 [5]).) A new draft action (NAC Document No. 1273–Revised [6]) was prepared and was subsequently distributed to Council members for consideration. After several suggested changes in the draft action had been agreed upon (NAC Document No. 1273–2nd Revision [7]) the action was approved unanimously by the Council through a telephone poll completed on May 5, 1952 (Action No. 546 [8]).

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[5] Not printed.

[6] Not printed; it was a draft action prepared by the Staff Committee following this meeting of the Council. (NAC files, lot 60 D 137, "NAC Documents")

[7] Document 34.

[8] Not printed; it reported a unanimous action by the Council obtained through a telephone poll. (NAC files, lot 60 D 137, "NAC Actions")

No. 11

740.00/3-1552: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State [1]

SECRET LONDON, March 15, 1952—1 p. m.

4064. Nutting, FonOff Parl UnderSecty, informs us that Brit will be forced to vote against most articles Council of Eur draft constitution be considered at comite mins mtg March 19 in Paris. In effort offset this negative approach, Brit intend proposing executive and legislative functions Schuman plan and EDC be brought under Council of Eur umbrella.

For example Schuman plan Council of Ministers might be constituted as sub-comite Council of Eur comite mins. Nutting said he mentioned this to new Ital Amb Thursday who surprised and encouraged him by expressing approval.

Above discussed later with chief west orgs dept who said cable being drafted to countries in Council Europe so that FonMins can be prepared for Brit proposal. Purpose is to give actual functions to Council Europe thus strengthening it and at same time avoid setting up plethora of organs with related functions. Brit not optimistic proposals will be accepted. Nutting will go with Eden to Paris.

GIFFORD

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[1] Repeated to Paris.

No. 12

740.00/3-1552: Telegram

The Secretary of State to the Embassy in the United Kingdon [1]

CONFIDENTIAL WASHINGTON, March 18, 1952—5:06 p. m.

4570. Re London tel 4064, rptd Paris 1935, Mar 15. [2]

In gen Dept supports proposals designed to strengthen Council of Eur and considers that some relationship between its activities and those of various groupings emerging in Eur desirable. However, difficult to evaluate Brit proposal, since Dept finds it hard to visualize how proposal wld operate. View EDC-NATO relationship, Art 1D of Statute, and views of neutrals, formal Council of Eur-EDC relationship does not seem possible and probably not desirable. Dept wld appreciate further info on how Brit consider proposal cld be implemented. [3]

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[1] Drafted by Preston and cleared with Camp. Repeated for action to Paris and for information to Luxembourg and Strasbourg via pouch.

[2] *Supra.*

Dept wld appreciate as full a coverage as obtainable of session C of E Comite of Mins, especially info on discussions polit org of Eur and relation of C of E thereto.

ACHESON

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[3] In telegram 4124 from London, Mar. 19, the Embassy noted that details of the British plan had not yet been worked out although the British did receive favorable reactions to the general idea from France, Italy, and the Netherlands, a confused response from Belgium, and opposition from Sweden. (740.00/3–1952)

No. 13

740.00/3-2052: Telegram

The Chargé in France (Bonsal) to the Department of State [1]

CONFIDENTIAL PARIS, March 20, 1952—2 p. m.

5725. 1. Most noteworthy development in regular business of opening mtg yesterday of tenth session of comite of Mins of Council of Europe was UK FonMin Eden's expected proposal concerning integration of institutions of Schuman Plan, European Army and future similar pools with existing organs of C of E. In discussion occasioned by consideration of Assembly recommendations 21 (aims and prospects of a Eur policy) and 23 (new statute of C of E), Eden proposed, CM accept principle of integration these organs and assign to CM deps task of working out detailed plan of reorganization for approval by CM at next mtg just prior May Assembly session.

2. In presenting proposal, Eden made statement along fol lines:

> C of E in danger of becoming stranded between two main streams: Atlantic community, wide association which without formal surrender of sovereignty is achieving increasing unity of purpose and action through NATO, and Eur community, smaller grp of states which moving towards polit federation by progressive establishment of organizations exercising supra natl powers in limited fields.
>
> In attempt to acquire limited authority but real powers, Assembly drafted new statute which transforms what is now purely consultative body into quasi-federal institution with legislative and exec powers. If new statute adopted it wld make things very difficult for UK.

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[1] Repeated to Bonn, London, Rome, Ankara, Athens, Brussels, Copenhagen, Dublin, The Hague, Luxembourg, Oslo, Reykjavik, Stockholm, and Strasbourg.

More promising future for C of E wld lie in remodeling of organization so that its organs cld serve as institutions of coal-steel community, EDC and any future organizations of same structure and membership. Advantage wld be: C of E given valuable work to do; duplication avoided; coal-steel community and EDC wld be provided with ready-made machinery.

C of E already served useful purpose as mainspring of plans for Eur unity and adjustment to bring it into focus with Eur community wld be logical development. On occasions CM and Assembly cld meet on six power basis for EDC, etc; at same time both CM and Assembly wld continue on 15 power basis as at present. Full council wld also discuss questions relating to Eur community of gen interest to WE.

3. French, Belg and Ital FonMins (other principal speakers at afternoon mtg) expressed welcome to constructive features of Eden's proposal. Schuman stated that six coal-steel pool countries had hoped for such integration and he was pleased other non-participating C of E countries shared view. CM agreed with suggestion of chairman Swedish FonMin Unden that mtgs Mar 20 be dedicated primarily to further discussion and decision on Eden proposal.

4. At opening of mtg, CM approved full agenda including Saar problem which will be discussed today unless Adenauer withdraws item fol private mtg with Schuman this morning.

5. Saar problem and drafting of reply to Sov note on Germany, [2] which is continuing simultaneously with CM session, have taken spotlight from regular C of E business of CM, but several other noteworthy developments occurred in regular C of E matters.

At mtg of joint comite (seven members of Assembly and five Mins) prior to CM session, acting Assembly pres De Menthon of France indicated Assembly probably wld use its prerogative to schedule debate on polit aspects of Eur Army and Eur polit authority at May session but, to give debate more significance, suggested CM formally request advice of Assembly on these questions. CM expected to agree to De Menthon suggestion today, with result that there shld be important debate in Strasbourg on Eur Army in May, probably after EDC treaty signed but before treaty submitted to natl Parliaments for ratification.

CM approved number of more or less routine Assembly and CM advisors' recommendations previously agreed upon by advisors, including recommendation that group of advisors be transformed into comite of deps mtg monthly with powers of decision in certain matters. CM approved protocol C of E convention on human rights which is to be signed this morning. Summary of more important approved recommendations will be given in separate telegram. [3]

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[2] For documentation, see vol. VII, Part 2, pp. 1403 ff. and *ibid.*, Part 1, pp. 169 ff. respectively.

BONSAL

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[3] For a summary of the meeting of the Committee of Ministers on Mar. 20, see Document 19; a summary of the Tenth Session of the Committee of Ministers, including the draft minutes and the draft official report, was transmitted to the Department of State in despatch 2765 from Paris, Apr. 18. (740.00/4-1852)

No. 14

740.5 MSP/3-2052: Telegram

The Chargé in France (Bonsal) to the Department of State

TOP SECRET PARIS, March 20, 1952—8 p. m.

5748. Eyes only Perkins from Merchant. MSA/E is proposing in eyes only cable to Harriman, Draper, Kenney and you [1] that Harriman ask the Secy to send personal message to Eden re UK attitude toward OEEC in hope modifying UK views prior to ministerial meeting March 27. [2] It seems to me that current desire to minimize role and reduce effectiveness of OEEC is fundamentally an error, contrary to your own position but so far as we know the position of all other members are peculiarly unfortunate at this early stage, attempting to develop constructive relationship OEEC with NATO. I recognize multiplicity of request for Secy's direct communication with Eden but believe importance of this issue justifies such action in his case and hope that he will support the proposal. [3]

BONSAL

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[1] This is a reference to telegram Repto 1321 from Paris, Mar. 20, *infra.*

[2] For a general summary and appraisal of the OEEC Ministerial Meeting, Mar. 27-29, see Document 26.

[3] For the text of Acheson's letter to Eden, see Document 18.

No. 15

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto": Telegram

The Deputy United States Special Representative in Europe for Economic Affairs (Porter) to the Mutual Security Agency

SECRET PRIORITY PARIS, March 20, 1952—9 p. m.

Repto 1321. Eyes only for Harriman, Draper, and Kenney. Pass State eyes only for Perkins.

1. In preceding cable have reported on luncheon discussion which Tasca, Stokes and I had with Stikker yesterday re issue at forthcoming OEEC mtg. [1] Stikker regards forthcoming mtg as major crisis in history of OEEC. He feels that if this mtg fails to come to grips with basic issues usefulness of org will be irretrievably damaged. This is view prevailing also in other circles close to OEEC and is emphasized by possible resignation of Marjolin in near future.

2. Fol are principal factors in present crisis as seen by Stikker, Marjolin and others with whom we have talked:

A. Negative Brit attitude as expressed in proposed 50 percent budget cut and narrow view of future functions of OEEC, which has recently been constant drag on effective OEEC work.

B. Reimposition of import quotas by Brit and Fr without prior consultation with OEEC and in sharp contrast to effective OEEC role in similar earlier balance of payments difficulties experienced by Gers and Dutch.

C. Failure of OEEC thus far to go beyond generalities in translating goal of 25 percent expansion of production into effective action.

D. Failure of OEEC thus far to have major influence on concerting of internal fin policy of major govts.

E. Decrease in close personal contact between key Eur econ mins such as prevailed in days of Bevin, Cripps and Petsche.

F. Belief on part of many Eurs that US now concerned only with def and has lost interest in OEEC as instrument of econ cooperation.

G. Lack of consultation with OEEC by US in determining distribution of econ aid. (This emphasized by both Stikker and Marjolin.)

3. Obviously all of above difficulties will not be overcome at forthcoming mtg. Stikker feels, however, that it is essential that decisions on several major issues be taken which will demonstrate determination of govts to make full use of OEEC as means of common solution of common problems. In our view, this means that OEEC must deal successfully with problem of strengthening EPU, with problems of fin stability on concerted basis, must reverse trend toward breakdown of trade liberalization and give evidence that proposed increase in production is more than pious hope. It is highly improbable that foregoing actions can be taken unless Brit at next week's mtg show more constructive attitude than at present.

4. In view of foregoing, we in MSA/E have concluded that personal message from Acheson to Eden prior to mtg would probably be of major importance in inducing positive Brit attitude. [2] We are

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[1] For a general summary of the OEEC Ministerial meeting, Mar. 27-29, see Document 26.

[2] For text, see Document 18.

reliably informed that during course of current mtg of ministerial comite of Council of Europe both Stikker and Schuman are making strong plea to Eden for Brit support for OEEC. We have been given good reason to believe that message from Secty to Eden fol representations by Stikker and Schuman may well be decisive factor, particularly inasmuch as Brit coolness stems from FonOff rather than Treasury or Board of Trade.

5. Suggested message or note to Eden might appropriately include fol points:

A. US hopeful that we and Brit will not go into Council of Mins mtg with widely divergent views on basic problems.

B. Weakening of OEEC would not strengthen NATO but on contrary would deprive it of essential support in econ field.

C. Specifically OEEC can effectively implement econ and fin sections of Lisbon TCC resolutions relating to NATO buildup.

D. Any transfer of present OEEC functions to NATO would thereby exclude participation of Ger, Austria, Sweden, Switzerland and Ireland; this would not only greatly reduce useful scope of cooperation but might well give offense to Ger with possibly adverse effect upon Eur defense community.

E. Whole question of aid to Eur now being reexamined by Congress in critical atmosphere. As Eden aware, serious doubts as to need for any econ aid have been expressed by influential members with specific ref to UK. Single aspect of aid program with which Congress seems most sympathetic is support for cooperative efforts of Eur countries. Many members have evidenced dissatisfaction with progress in this respect and have talked of exerting greater pressure for Eur unification in pol as well as econ field. Seriously concerned that any action of UK which might be construed in Congress as scuttling of OEEC might have direct effect on size of appropriation for whole program legislative record bearing on UK's share in program, and insertion in legislation of rigid conditions as to participation in unification of Europe as prerequisite of receiving aid.

6. We are increasingly disturbed by growing conviction on continent that Brit are bent on reducing OEEC to insignificant role and by effect this could have on major US objectives in Europe. In this connection we plan to request our missions discuss with Mins attending OEEC mtg importance of successful outcome of mtg. We believe we will find other govts sympathetic on most specific issues and strongly agreed on need for assuring future effectiveness of OEEC. In case of UK, however, approach at highest possible level seems called for, and message from Secty to Eden on general UK attitude would facilitate useful discussion of agenda with UK Mins and officials more directly concerned with preparation for mtg.

Merchant concurs.

7. Since preparing above, Tasca and I have had long talk with Nor PriMin Lange. He shares concern of Stikker and others about

Brit attitude toward OEEC and is in full accord with view that decisive action shld be taken on specific issues at forthcoming mtg which will strengthen org. He said that at today's Council of Europe mtg he, Stikker and Van Zeeland had made speeches emphasizing importance their govts attach to OEEC, which speeches were intended for Eden's ears.

PORTER

No. 16

Camp files, lot 55 D 105, "OEEC-NATO 1952"

Foreign Minister Van Zeeland to the Secretary of State [1]

PERSONAL BRUSSELS, March 15, 1952.

MY DEAR SECRETARY OF STATE: Since my return from Lisbon, [2] I have reconsidered the problems that we discussed during the last conversation we had together at the end of the Atlantic Pact Council meeting.

The considerations that I set forth at that time appear to me increasingly serious and urgent. My latest information has only confirmed this conviction.

I. The Lisbon Conference was a success. The resolutions adopted there mark a long step forward. The European Defense Community will probably be set up in a very short time. The new effort promised by the European nations within the framework of the Atlantic [Pact] will appreciably increase the defense forces available to the military chiefs; the medium-term plans drawn up and the firm engagements entered into for 1952 indicate that this strengthening of Western defense will continue to increase and therefore will gradually lessen the risk of war. Lastly, the new measures taken for the reorganization of the Institution appear to me to be adapted to the needs and to furnish suitable means for more rapid and better coordinated action.

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[1] According to a handwritten notation in the margin of the source text, the message from Van Zeeland was handed to Acheson by Baron Silvercruys on Mar. 20. The source text, which is a translation by the Division of Language Services of the Department of State, bears this notation: "the original French text of this message has not been found in Department of State files."

Van Zeeland summarized the substance of this letter in a conversation with Ambassador Murphy on Mar. 19, which Murphy reported to the Department of State in telegram 1378 from Brussels, Mar. 19. (840.00/3-1952)

[2] This is a reference to the meetings of the Ninth Session of the North Atlantic Council and the Foreign Ministers meetings which were held in Lisbon, Feb. 20-26; for documentation concerning these meetings, see vol. v, Part 1, pp. 107 ff.

However, it seems that the effort promised by the European nations is both a minimum and a maximum effort.

A minimum effort, in the first place; for it appears that such an effort is absolutely essential if we intend to organize an effective defense of the West on a line far enough East.

A maximum effort, on the other hand; for it seems that in accepting these commitments, the European nations have gone to the extreme limit of their ability, more particularly, of their economic and financial ability.

It follows that this effort can be translated into concrete achievements only if Europe succeeds in at least maintaining its economic activity at the present level.

II. Now, a series of facts and recent signs lead to the conclusion that this level of European economic activity is seriously threatened right now.

We see the symptoms appearing of an economic crisis in Europe. The signs are multiplying. I shall point out a few of them, chosen from among the principal ones:

1. The European Payments Union, the functioning of which is essential to the maintenance of adequate economic activity, is in danger. Exaggerated credit and debit positions have already transformed the very conditions under which it operates and may paralyze it before long.

2. The efforts made to create a single market in Europe and the success already obtained in that direction, namely the appreciable reduction of the quantitative restrictions on the movement of goods is directly jeopardized at this time. Several large countries, impelled by needs of which they are the sole judges, are applying safeguard clauses contained in the commercial code of the O.E.E.C.; they have already re-established quantitative restrictions to a dangerous extent. Such measures indicate a serious turning back and prepare the re-establishment of the economic compartmentalization of Europe, the sign of a sure economic recession for the whole community.

3. The expansion projects that had been worked out within the framework of the O.E.E.C. threaten to become ineffective. Serious disturbances, either in public finances, or in movements of capital, or on the exchanges, or again in the employment situation, are already appearing in a whole series of European countries.

III. If measures are not taken in time to prevent the further development of the disturbing phenomena mentioned above, we run the risk that a considerable decline in European economic activity may bring into question again the main points of the policy followed to assure the revival of Europe and the defense of the West, particularly, a part of the decisions taken at Lisbon.

Moreover, it does not seem that the difficulties revealed by these symptoms, forerunners of a crisis, are insurmountable. What appears certain is that they can be overcome only by common action, by general action, by duly concerted action on the part of the Atlantic Powers. Measures taken individually or separately by each of the partners concerned might, as has so often been the case in the economic history of this century, add to the difficulties of the others and render the crisis more serious, longer, and more difficult to meet.

IV. If the foregoing considerations are valid, must we not conclude that steps should be taken to find means of seeking in common, and applying by mutual agreement, an over-all solution?

It seemed to me, during our conversation at Lisbon, that these different points had not escaped your attention and that you desired to examine them further.

On reflection, I wondered whether it would not be advisable to bring together without delay, on an entirely personal and unofficial level, a certain number of Ministers of the countries most interested in the economic aspect of the problems. I am thinking, for example, of a small group including the Ministers of Foreign Affairs of from six to eight countries, namely: the United States, Great Britain, France, the Benelux countries, and others, according to circumstances.

In such a restricted meeting, and without recourse to experts, the Ministers could exchange very frank views on the following points:

1. Should an official meeting be proposed which would be charged with seeking the means of avoiding an economic crisis in Europe?
2. If the reply to the first question is in the affirmative, under what international auspices should the meeting be placed: NATO, or O.E.E.C., or some other organization or international group?
3. What general directives would it be possible to give, at the start, to the suggested meeting, with respect to the solutions to be envisaged?

V. This first unofficial meeting, in spite of its personal and restricted character, should be called only if reasonable chances existed of its achieving some result. If such chances of success did not exist it would be better to do nothing, since any failure might complicate still further a situation which is already difficult enough in itself.

That is why I felt that, before thinking of taking any initiative, I should write to ask you what your own feeling is.

If, in your opinion, the time is not ripe, I shall certainly consider it preferable to await a more propitious moment to undertake anything.

If, on the contrary, you consider that the question should be examined more thoroughly, through an unofficial meeting, I should be very happy *if you would take the initiative.*

In case you should prefer that I take the responsibility for it myself, I would be glad to do so, at least for the preliminary and personal stage to which I have just referred.

VI. I think such a meeting, short and friendly, should be held very soon.

It should, however, be preceded by a minimum of preparation, so that when they meet the Ministers will have before them a study of some few pages, briefly analyzing the problem and outlining, for all pertinent purposes, a few first suggestions. The sole purpose of such a memorandum would be to start the discussion; it would have fulfilled its function even if it were subsequently rejected or modified in its various parts.

I thought it worth-while, at Lisbon, to submit to a few friends a short memorandum containing suggestions of this sort.

A short summary follows:

1. Distinction between the machinery for international payments for products and goods intended for rearmament and that for the regulation of other operations considered as normal.
2. Establishment of a system of advance financing of armament production.
3. Spreading of military expenditures of an extraordinary nature that burden the budgets of the NATO countries.

These suggestions imply in particular:

1. The creation of a new agency using the funds placed at its disposal for the following purposes:
    - (a) To facilitate the operation of the machinery for international payments relating to rearmament by the liquidation of the balances.
    - (b) To undertake the lending operations necessary for the advance financing and spreading of the extraordinary expenditures.
2. The placing in the NATO countries of a gold or dollar loan, calling upon capital that has been hoarded up to now.

The ideas thus summarized are taken up again and somewhat further developed in the attached memorandum.

VII. Of course, such suggestions are quite inadequate and are mentioned here merely by way of example. I myself attach no particular value to any one of them, or to any detail. What appears essential to me is to start the discussion and to succeed in defining both a method and a basis for seeking a possible solution.

I hope that you will be good enough to tell me, at your convenience, what you think of these ideas. If the time for action seems to you to have come, it would be advisable to act as soon as possible, since any delay may make the problems more serious; preventing would be infinitely preferable to curing.

Hoping to hear from you soon, I beg to remain, my dear Secretary,

Faithfully yours,

PAUL VAN ZEELAND

No. 17

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto": Telegram

The Deputy United States Special Representative in Europe for Economic Affairs (Porter) to the Mutual Security Agency [1]

SECRET PARIS, March 21, 1952—7 p. m.

Repto 1347. 1. The OEEC ministerial council mtg beginning Mar 27 may well mark turning point in determining future of OEEC and entire West European effort toward economic cooperation. Items of major importance on agenda include future of EPU, trade liberalization, increased coal production, internal financial stability, 25 percent expansion program. More generally, mtg will provide opportunity to determine whether OEEC is to have seriously reduced future role with consequence that economic cooperation and support of defense effort will seriously suffer. OEEC is only organization with scope of membership and functions qualifying it to perform necessary broad job of economic cooperation. It was with this in mind that my ltr to Stikker of Mar 6 (Washington Repto 1088 [2]) was dispatched at time when it cld serve as strong evidence of US support OEEC and be considered by the Ministers next week. Ltr has been distributed by OEEC Secretariat to all member countries.

2. Over past year question of future of OEEC has become a matter of increasing concern. Principal disturbing factors are fol:

(a) Evidence of British opposition to making OEEC effective instrument for European cooperation, including specific British proposals for drastic (50 percent) cut in OEEC budget and curtailment important activities.

(b) Feeling that OEEC role reduced since it no longer performs aid distribution function it had in early Marshall Plan days and that its importance has declined because of apparent present US emphasis on defense rather than economic cooperation.

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[1] Repeated to Bern, Bonn, Brussels, Copenhagen, Rome, Stockholm, Vienna, The Hague, London, and Oslo.

[2] See Document 8.

(c) Widespread feeling optimism and pessimism because of lack of progress in solving several critical problems and actual retrogression: e.g., with respect trade liberalization and inflationary threats.

(d) Absence so far of practical steps to implement 25 percent expansion increase program.

(e) Lack of intimate contact such as existed in earlier days between ministers responsible for economic affairs.

(f) Feeling that NATO is monopolizing both public and official attention with consequent neglect OEEC.

3. While official US position as determined by State, DMS and MSA (London Torep [*Todep*] 560, rptd Paris info 4723, Feb 10 [*9*] [3]) is that OEEC and NATO are not competitive but are part of same concept building up West Europe–North America partnership, OEEC, unlike NATO, is experienced going concern in economic field. Membership includes Germany, Sweden, Switzerland and Austria, not NATO members whose participation in West Europe economic cooperation is important, even essential. One of important reasons for US supporting NATO move to Paris was to permit close cooperation between two organizations each in own sphere, with expectation that OEEC cld do basic work in many fields of interest to NATO. Future OEEC role shld not be restricted to trade, and payments (as British seem to be proposing) production expansion, improved productivity, conservation scarce materials are among other important fields in which OEEC has important role. Finally, present difficulties facing OEEC in field of trade and payments, internal financial stability, etc., in our view only stress need for strengthening OEEC.

4. In conjunction MSA/W we are proposing take strong steps bring US views to attention British Govt. Are also taking opportunity speak with some foreign ministers in Paris for Council of Europe. Have talked with Stikker, president OEEC ministerial council, who shares our views completely and much concerned over present crisis. Also talked with Lange, Norway, who feels same.

5. Wish to be sure that each minister who is to attend forthcoming OEEC ministerial council appreciates the seriousness present situation and is fully aware strong US views. Situation with respect this problem varies in each country and each mission chief shld exercise own discretion in deciding, in consultation diplomatic mission, whether and how approach govt. On other hand do not wish create any uncertainty in minds ministers if this inopportune and in cases where preferable leave well enough alone. One approach which wld have virtue not appearing create alarm wld be

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[3] Document 3.

lead off by making inquiry about govt reaction to my ltr to Stikker Mar 6. Suggest you make no reference to British attitude unless minister himself raises this point. In that event wld be appropriate for you to say we are aware of British attitude but hopeful they will decide to give full support to OEEC.

6. Wld appreciate report from each mission prior ministerial mtg.

PORTER

No. 18

740.5/3-2152

The Secretary of State to Foreign Secretary Eden [1]

SECRET WASHINGTON, March 21, 1952.

I have recently been giving further thought to the questions we have discussed before concerning the proper relationship between the NATO and the OEEC. It seems to me that we are now at a critical point. With the appointment of Lord Ismay as Secretary General of the NATO, and in view of the recent emphasis you and I have both been placing on the need for a strong North Atlantic Council and a strong international staff, [2] there has, perhaps inevitably, developed among some of the European countries a feeling that we are less interested than heretofore in an effective OEEC.

I believe much of the difficulty which has arisen in the past in seeking to assess the roles of the NATO and the OEEC has stemmed from the fact that many people have tended to regard them as competing organizations and representative of competing concepts. To my mind this is quite inaccurate. Although it is true that the United States is associated with, rather than a member of, the OEEC, I believe the OEEC is in a very real sense an organization of the Atlantic Community. Furthermore, it has seemed to me very important that in developing the closer cooperation between Western Europe and North America, which we all desire, every effort should be made to maintain the strong ties between those countries in Western Europe which are members of the NATO, and Sweden, Switzerland, Ireland, Austria and Western Germany, which are outside the NATO. The connection with Sweden is, I am sure you will agree, of first importance to the Norwegians and the Danes, and their continued active participation in the NATO is, I believe, made easier for them by the fact that Sweden has found it possible to play a leading role in the OEEC. Until other arrangements are made with respect to the Federal Republic, I also feel that the relationship with the Federal Republic in the OEEC is of great importance to all of us.

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[1] This message, drafted by Camp, cleared with Raynor, Perkins, Gordon (DMS), and Cleveland (MSA), and repeated to Paris, was transmitted to the Embassy in London in telegram 4664 of Mar. 21 with instructions that it be presented to Eden as soon as possible.

[2] For documentation concerning Lord Ismay's appointment and events relating to the Ninth Session of the North Atlantic Council which met in Lisbon, Feb. 20–25, see vol. v, Part 1, pp. 107 ff.

From conversations in Lisbon and since that time, I have gained the impression that the Ministerial meeting of the OEEC on March 27 will be looked at by many countries as a turning point in OEEC history. If at that meeting your Government and mine indicate clearly their support for a strong and reinvigorated organization, I believe it will be possible for the work which needs to be done on inflation, on trade liberalization, on payments problems and on production problems to be effectively put in hand. If, however, our two governments do not take the lead, I fear that it will be interpreted as a sign that we have written off the Organization. I am sure that you are as anxious as I am to avoid this result.

I understand Mr. Batt and Mr. Draper have recently discussed some of these same questions with Mr. Butler. Although the problem of the relationship between the two organizations is one which will require continuing re-examination by both our governments, I hope you will agree that at the present time it is important that we emphasize the complementary roles of the two organizations and seek to insure an effective joint effort.

ACHESON

No. 19

740.00/3-2152: Telegram

The Chargé in France (Bonsal) to the Department of State [1]

CONFIDENTIAL PARIS, March 21, 1952—8 p. m.

5778. High point of yesterday's mtg of Comite of Ministers of Council of Europe, which wound up two day session (Embtel 5725, Mar 20 [2]), was withdrawal by Chancellor Adenauer of Fed Rep request for discussion of Saar problem with his announcement that French and Fed Rep Govts shld reach agreement on method of settling controversy. Adenauer did not elaborate on agreement other than to indicate that French-German and Saar reps wld meet immediately to examine election conditions in Saar and that proposed settlement wld be referred for approval to US and UK and to Saar.

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[1] Repeated to Bonn, London, Rome, Ankara, Athens, Brussels, Copenhagen, Dublin, The Hague, Luxembourg, Oslo, Reykjavik, Stockholm, and Strasbourg.

[2] Document 13.

After dramatic interlude concerning Saar, CM resumed regular business which centered on discussion of "Eden plan" for integration of European institutions. Most of fifteen ministers expressed approval of broad principles proposed by Eden, commenting at same time on problems involved in carrying out proposal. Foreign Minister Unden expressed principal hesitancies, referring to desire of Sweden to avoid involvement in EDC. Eden replied that special arrangements cld probably be worked out whereby Sweden wld not participate in EDC matters much as UK, also due to its special position, might not participate in certain phases of reorganized C of E. Further details on statements of ministers will be reported by despatch.

CM did not formally approve or disapprove Eden proposal, but referred problem CM as suggested by Eden, to deputies. Deputies meet tomorrow to plan their work; indication is that they will meet in Strasbourg after Easter for about two weeks to start work on report on future of C of E to be discussed by CM at May 22 mtg. Hope is that plan will evolve which can be presented to Assembly which meets May 26.

CM postponed decision regarding formal request for advice of Assembly on EDC and European political authority until next mtg when EDC treaty might be in final form and development of Eden proposal might give new direction to discussion of European political authority. CM also postponed to next mtg consideration of their traditional political report to Assembly so that report wld take into account EDC and Eden proposal developments. Ministers signed protocol to C of E convention on human rights.

To relief of those who had seen indication of UK withdrawal from C of E, UK FonOff reassignment of Aubrey Halford before normal tour of duty expired, UK proposed and, after withdrawal of Dutch candidate, CM accepted Anthony Lincoln of UK FonOff for vacated post of deputy secretary general.

In summary, tenth session of CM generally followed previous patten whereby ministers approved number of ineffectual recommendations, but either rejected important Assembly recommendations or postponed important decisions. This is illustrated by fact that most important development was withdrawal of item from agenda. The possible exception was Eden's proposal, which was made in rejection of Assembly recommendation for revised C of E statute, but which may result in reorganization whereby C of E, in Eden's words, "wld be given valuable work to do." [3]

BONSAL

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[3] A summary of the Tenth Session of the Committee of Ministers, including the draft minutes and the draft official report, was transmitted to the Department of State in despatch 2765 from Paris, Apr. 18. (740.00/4-1852)

No. 20

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto": Telegram

The Deputy United States Special Representative in Europe for Economic Affairs (Porter) to the Mutual Security Agency [1]

SECRET NIACT PARIS, March 22, 1952—8 p. m.

Repto 1369. Personal for Harriman, Draper, Kenney, from Porter. State pls pass to Perkins.

1. Before returning to Hague, Stikker called on me this morning at my home (where I am again confined with new attack of grippe) to discuss developments re next week's meeting OEEC council of ministers.

2. He was discouraged by Eden's coolness toward OEEC as indicated in private dinner of Eden and Stikker Thursday evening. He said also Eden had made no comment on speeches Lange, and Van Zeeland made in ministerial comite of Council of Europe to effect that OEEC confronted with critical situation and support of all its members urgently needed.

3. Appraising present situation discussing strategy for next week's meeting, Stikker and I found ourselves in agreement on fol:

(a) Current crisis in OEEC is not simply crisis for an organization. Economic cooperation in Western Eur is faltering seriously, and widespread return to bilateralism in trade and payments this year a real danger.

(b) Breakdown of econ cooperation would radically affect NATO milit build-up and would also have important bearing on internal polit developments in several major countries, with perhaps significant effect on govts foreign policy.

(c) Solution to present crisis is to be found in bold new step forward, not in temporizing or retreat. While UK and Fr import cuts must be accepted as fact, council should call on both govts to put forward acceptable programs for early return to liberalization. More authoritative OEEC trade body should be established (now designated tentatively as trade managing board). Council shld establish ministerial group on mutual financial stability. Good progress made by minis group on coal production provides precedent for similar approach to finan stability. Moreover, objectives of higher production must be pressed. Finally, OEEC must develop realistic program to provide support necessary for annual TCC-type operation in NATO.

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[1] Repeated to London for Holmes and Moore, The Hague for Hunter, and Paris for Labouisse.

(d) No significant compromises can be made with Brit on foregoing insofar as they are not prepared for full-scale action by OEEC. In my view, not only will it be impossible to compromise with Brit on future functions OEEC, but I believe positive understanding is necessary at an early date. Such understanding also necessary to permit NATO to function operationally.

(e) Every effort should be made to reach satis agreement at forthcoming mtg. There will be further opportunity at later meeting to be held soon after Stikker's return from Wash, i.e., later April or May, to consolidate understanding of role of OEEC.

4. I propose to outline above appraisal and proposed method of approach to French (probably Schuman) in meeting which Labouisse arranging early next week.

5. Incidentally, Marjolin told me in separate visit this morning he plans to resign unless OEEC soon comes to grips with basic problems. He is passing this word to heads of all delegations.

6. Butler was unable receive me Friday as earlier indicated. Meeting with him now unlikely before ministerial meeting.

7. Merchant concurs in above and we both feel that every effort must be made before OEEC meeting to moderate present UK position but failing success then our attitude must be such as to temporize or otherwise avoid situation in which Brit-US rift revealed to all. Situation he believes underlines importance direct approach Secretary Acheson to Eden in this matter.

PORTER

No. 21

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto" Telegram

The Special Assistant to the United States Special Representative in Europe (Tasca) to the Mutual Security Agency

SECRET NIACT PARIS, March 22, 1952—8 p.m.

Repto 1372. For Harriman (and Lincoln Gordon), Draper, Kenney, Perkins. Ref: Repto 1321, March 20.[1]

1. We have been giving further thought to action which we can take on US side at forthcoming Min meeting of OEEC council. We

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[1] Document 15.

believe US should not only express its views as to importance of OEEC, but should make some significant demonstration of our basic position that OEEC is the org which should carry out the econ and fin work of NATO. We believe this can best be accomplished by having Amb Draper make a forthright statement at OEEC meeting and include in his statement a specific request that the OEEC begin at once on a task whose importance will be obvious to all.

Believe this task should call for OEEC-wide effort representing a combination of the type of programming and recommended division of aid work done in 48/49 and 49/50, on the one hand, and the NATO econ capabilities exercise as represented by Feb interim report and TCC work, on the other hand. This request should be keyed to time schedule providing organization's report be completed prior to Aug 1 date for use in NATO second annual review. In other words, OEEC would have to begin at once on a major exercise to be completed within four months. This exercise should also provide econ basis for decisions as to distribution of econ aid. (Note that Austria is only non-NATO member of OEEC which receives aid.) Finally, in order to give positive evidence our interest in and support of OEEC, US must offer to make submission and participate in work on substantially same basis other countries.

2. Realize many aspects of this suggestion remain to be worked out, but we here are all convinced that this is the best manner of doing the basic econ and fin work required to realize NATO objectives. We believe matter of relations with neutrals is capable of being resolved.

3. If you agree, would appreciate soonest your comments and suggestions in time for Min Council meeting March 27.[2]

TASCA

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[2] In telegram 5832 from Paris, Mar. 25, Merchant informed Perkins that he felt it would be unfortunate timing and destructive of good relations with Lord Ismay for Draper to make any precise statement before the OEEC Ministerial delegates along the lines suggested in telegram Repto 1372. (740.5/3-2552)

No. 22

740.00/3-2552: Telegram

The Chargé in France (Bonsal) to the Department of State [1]

CONFIDENTIAL PARIS, March 25, 1952—8 p. m.

5857. 1. Emb informed that deputies of Comite of Mins of Council of Europe will meet in Paris starting April 28 to study Eden proposal for integration of Schuman Plan, EDC and similar institutions with C of E (Embtel 5778 March 21 [2]). FonOff has been advised that Brit memo is forthcoming which will provide some detail to broad general proposal made by Eden and discussed at last week's session of CM. This memo plus proposals of other member countries will provide basis of study starting next month.

2. General Affairs Comite of C of E Assembly met in Paris yesterday and Guy Mollet, comite pres, reported in press conf fol text (Emb translation) of comite resolution:

> Comite, considering that association of members of C of E with specialized authorities within framework of Council implies participation with obligations and responsibilities.
>
> Requests immed that CM bring study of Brit proposal to successful conclusion in briefest possible time in order that results apply to coal-steel community as soon as possible and that EDC treaty can encompass results without any delay to conclusion of treaty.

3. Mollet emphasized to press that he and others of comite would have preferred complete participation of UK and other C of E members in EDC but that assoc within C of E proposed by Eden did imply responsibilities and obligations which might constitute guarantee requested by Socialists in Feb debate on EDC at National Assembly (see also Embtel 5827 Mar 24 rptd London 1612 and Bonn 569 [3]).

BONSAL

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[1] Repeated to Bonn, London, Rome, Ankara, Athens, Brussels, Copenhagen, Dublin, The Hague, Luxembourg, Oslo, Reykjavik, Stockholm, and Strasbourg.

[2] Document 19.

[3] Not printed; it reported on conversations between representatives of the British Labor Party and the French Socialist parties Mar. 22-23 concerning British participation in the EDC. (740.5/3-2452)

No. 23

840.00/3-1952

The Secretary of State to Foreign Minister Van Zeeland [1]

SECRET PRIORITY WASHINGTON, March 26, 1952.

MY DEAR MR. VAN ZEELAND: I share your deep concern at the disturbing economic developments which you outlined to me in your letter of March 15. [2] It is particularly discouraging to find reappearing again problems which we had thought were well on the road to solution. I am nevertheless hopeful that a further deterioration in the economic situation in Western Europe can be avoided and that once again new impetus will be given to the upward economic trend which, despite setbacks, has characterized our joint efforts since the War. I fully agree with you that many of the difficult problems with which we are at the moment confronted, such as the extreme creditor and debtor positions of some countries in the EPU and the retrogression in trade liberalization, require more intensive international action. In this connection, I have given much thought to your suggestion for a meeting of certain Foreign Secretaries but I question whether such a meeting at this time would be the best means of making rapid progress on these problems. The areas where further joint action is required seem to me to be quite well delineated, and I am inclined to feel that at the present time it would be better to direct our efforts toward encouraging greater efforts through the existing organizational arrangements.

As you know, we are hopeful that at the OEEC Council meeting which begins on March 27 the necessary decisions will be taken so that that Organization can address itself more effectively to the problems of internal financial stability, of production, and of trade and payments liberalization. The recent decisions taken at Lisbon should result in a more effective NATO structure. The problem of the relationship between the two organizations is one which all our governments will have to consider carefully, but I believe need not prove to be too difficult once there is full appreciation of the fact that the two organizations are not in any sense competitive, but are necessary complements of each other.

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[1] Drafted by Camp and cleared with Perkins, Williamson, Kaplan (MSA), and Harriman (DMS). Transmitted to the Embassy in Brussels with instructions that it be delivered to Van Zeeland as soon as possible; the message was repeated to Paris and London.

[2] Document 16.

I have read with great interest the memorandum, attached to your letter, setting forth a plan for facilitating the transfer within Europe of defense goods and a means for the pre-financing of defense production. I know these are important problems. However my preliminary reaction is that the type of obligation which this Government might be called on to undertake in connection with the international loan is something which it would be difficult for us to do and that it would in any case require action by the Congress. I am also uncertain as to the relationship between the clearing mechanism you propose and the EPU. I would suggest that a technical examination of your proposal should be requested of the new international staff of the NATO as a matter of urgency. Once this has been done it should be easier to determine the implications of the proposal for the governments concerned.

I very much appreciate your writing to me. I hope you will agree that our best course at the present time is to press for a solution of the current economic difficulties by renewed efforts within the OEEC and the NATO, although I very much regret that this course of action will not permit me to discuss these problems with you personally.

With warmest regards

Most sincerely yours

ACHESON

No. 24

740.5 MSP/3-2652

Foreign Secretary Eden to the Secretary of State [1]

SECRET [LONDON,] March 26, 1952.

I thank you for your message [2] and this opportunity to exchange views with you about the future of O.E.E.C. in advance of the Council Meetings on March 27th to 29th which the Chancellor will attend.

I find myself in general agreement with what you say. Our desire for an efficient and more economically run organisation with well-defined functions seems to have been widely misunderstood to imply withdrawal of support. The Chancellor will put this right in Paris by making it clear that in the fields especially of trade and payments, but also in those of production and internal financial stability, O.E.E.C. have, in the view of H.M.G., important work to perform which we will fully support. We will also underline our adherence to the convention under which so valuable a spirit of cooperation has been developed between member countries.

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[1] This message was delivered to the Department of State by a British Embassy official on Mar. 26.

[2] Document 18.

We are therefore in favour of consolidating O.E.E.C. in a somewhat more limited but still essential field which is distinct from that of N.A.T.O.

I shall always be ready to discuss with you the relationship between the O.E.E.C. and N.A.T.O., but I hope that with the redefinition of the functions of O.E.E.C. this week, the question of this relationship as a subject of international debate will be allowed to rest until N.A.T.O. has been established in Paris. [3]

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[3] According to telegram 1006 from The Hague, Mar. 26, Stikker requested information concerning the substance of Acheson's letter to Eden because of his concern that the OEEC meeting on Mar. 27 would be the most difficult as well as one of the most important conferences he ever attended. (740.5 MSP/3-2652) In telegram 5713 to Paris, repeated to The Hague and London, the Department of State, while recognizing Stikker's concern regarding the effect of British attitudes on the pending OEEC meeting, decided against divulging the substance of Acheson's letter to other governments. (740.5 MSP/3-2652)

No. 25

740.5/3-2752: Telegram

The United States Deputy Representative on the North Atlantic Council (Spofford) to the Department of State [1]

SECRET NIACT LONDON, March 27, 1952—9 p. m.

Depto 1124. Pass Harriman, Lincoln Gordon, Kenney. Limit distribution. I have been following the exchange of cables on the OEEC prob from the standpoint of its effect on the org of the NATO internatl staff. I think the line taken by the original Wash instruction (Todep 560, rptd Paris 4723 [2]) was sensible and raised no probs.

One of the difficulties of the present situation lies in trying to generalize on what can only be settled by somewhat detailed distribution of a number of interrelated econ functions. As gen propositions, however, I shld think that everyone wld agree that OEEC shld be commissioned to perform econ staff work to the maximum. This wld be particularly important in the case of the annual capabilities review, where OEEC wld contribute (a) by assuming certain tasks on a "farm out" basis, and (b) by lending key personnel to assist during the heavy period, as was done last fall. The direction of the TCC exercise must obviously, however, be in the SecGen, operating through an asst SecGen of high stature and competence in the field, who wld have a small but expert staff to asst in directing the capabilities review and in the miscellaneous grouping of other econ probs of a non-TCC character which will have to be dealt with in the NATO framework. My suggestion wld be that the asst SecGen for Econ Aff shld be someone with full OEEC background, for example, Hirschfeld, or Snoy, who will be equipped and inclined to see that the econ activities of the two orgs are closely correlated and that NATO duplicates no function which can under circumstances of each case be performed by OEEC. Drawing this line will not be easy, but in the hands of the right people and in an atmosphere of a calm shld be perfectly feasible. I do not see how there cld be serious opposition to such a course from the Brit.

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[1] Repeated to Paris for Draper and Porter.

[2] Document 3.

The prob I see in the more extreme approach of some of the recent cables is that in an effort to serve OEEC we will repeat the experience of last spring, when the same consideration dominated in the Feb planning, and that the SecGen will be caught between an ineffective NATO econ agency and the inherent impossibility of OEEC operating as a branch of NATO. This should be avoided at all costs.

I hope that the discussion at the OEEC council mtg will not prejudice a solution along the lines above mentioned.

Spofford

No. 26

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto": Telegram

The United States Special Representative in Europe (Draper) to the Mutual Security Agency [1]

CONFIDENTIAL
PRIORITY

Paris, March 31, 1952—11 p. m.

Repto 1519. Fol is general summary and appraisal of OEEC mtg March 27–29, 1952.

1. We are encouraged with spirit of mtg and decisions taken. Though not formally on agenda major issue was future role OEEC. Discussion at informal, off record session occupying most of day Fri and attended only by mins and close advisers made clear that most govts desired OEEC be maintained and strengthened. Specific deci-

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[1] Repeated to London for SUSRep, Bern, Stockholm, Ottawa, and all MSA missions.

sions on future work prog will in our judgment permit OEEC be more effective instrument for close collaboration between countries of Western Eur, US and Can than at any time in past. Much credit for successful outcome due realistic and statesmanlike participation Butler, Brit Chancellor of the Exchequer. Stikker as chairman handled mtg with usual skill and useful contributions also made by Schuman, Bluecher (Ger), Brofoos (Nor), Van Zeeland (Belg), Parkinson (Can). Latter was particularly helpful in supporting concept of more vigorous organization.

2. Council accepted US resolution [2] proposing OEEC conduct annual review econ position and prospects member and associated countries, fol strong supporting statements by Draper and Ger, Swedish, Swiss, Ital and Nor reps. Only significant opposition came from Brit, although Butler and Salter immediately saw great advantages in proposal. Though never officially stated for the record in order save possible embarrassment neutrals, it was fully understood such review wld provide basic data needed by NATO in its annual reconciliation of def requirements with econ possibilities. Council decision to conduct review is generally regarded as most important single action establishing broad responsibility for OEEC. Further details pouched by air.

3. On US and Belg initiative council approved decision designed to provide emergency high level attention to question internal financial stability in member countries. Council procedure involves:

(a) High level group experts to examine internal financial stability on country basis;
(b) Review of experts' report by small, select comite mins, including min of country directly concerned;
(c) Report to ministerial council.

First two stages are particularly important, especially the second, since its purpose is to adapt expert opinion to polit possibilities. For this purpose small comite essential in order avoid generalities and deal confidentially with issues great delicacy. Technique to be followed will closely parallel that of special comite on coal production whose recommendations have been specific and practical and accepted by countries to which addressed.

4. Major developments at mtg with respect to EPU were:

(a) Unanimous agrmt EPU must be continued. Belgs made their agrmt subj satisfactory settlement their special creditor status.
(b) Clear-cut statement by Draper that US did not intend to make further contribution to EPU reserves.

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[2] The text of this draft resolution was transmitted to the Mutual Security Agency in telegram Repto 1495 from Paris, Mar. 28. (MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto")

(c) Managing board will prepare specific recommendations for next ministerial mtg of council, tentatively set for May 15. Separate cable will cover council action on EPU more fully.[3]

5. Council established a steering board for trade which shld result in strengthening OEEC authority with respect to trade liberalization. This subj will be covered more fully in separate cable.

6. Council accepted substance US amendments to working party report on expansion of production. Amendments designed to give OEEC clear responsibility to fol up effectively on report, examine production prospects of individual countries and develop popular understanding and support of expanded production.

7. Council approved in principle reduction OEEC budget by 30 percent. On basis detailed examination present setup it is generally believed the budget reduction need not cause curtailment of any important useful work. It is also recognized that there may need to be re-examination of proposed cut when staff requirements for new functions are carefully estimated.

8. In general US played more active role in mtg in line our feeling that OEEC is organ of Atlantic Community. Closer association of US and Can exemplified in fact both countries to participate fully in annual econ review and internal financial stability exercises.

9. We are warmly appreciative of Washington sympathetic understanding and prompt responses to our msgs in period preceding council mtg. This seems to us to have been an example of teamwork at its best. We are particularly appreciative of prompt action taken to arrange message from Acheson to Eden and of Washington approval of proposals on annual review and internal financial stability.

DRAPER

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[3] This is a reference to telegram Repto 1541 from Paris, Apr. 1, which gave a detailed summary of the discussion concerning the future of the EPU. (MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto")

No. 27

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto": Telegram

The United States Special Representative in Europe (Draper) to the Mutual Security Agency [1]

CONFIDENTIAL PARIS, April 2, 1952—7 p. m.

Repto 1556. Porter and Samuels had luncheon conversation yesterday with Villiers, Ricard, and other Fr industrialists, during which discussed general problems European econ federation. Ricard reported with regard Schuman Plan that meeting of leaders steel industry all six countries was held last week at which there was agreement lend full support to Schuman Plan operations but serious anxiety expressed in connection composition high authority.

According our info, virtually all candidates thus far under serious consideration are govt servants with exception one or two labor candidates and perhaps one rep of an industrial federation. Industry is highly disturbed by fact there may be no members high authority with operating experience in industry and whom industry can regard as able speak for it. Some Belgian industrialists with whom we have spoken feel same way.

Attitude generally taken is that US is responsible for creation Schuman Plan and certain Belgian quarters urge that in view that fact we shld now use our influence with Schuman Plan govts to appoint at least some members with industry experience and associations.

A point which was strongly made at above-mentioned luncheon conv with Fr was importance divorcing Schuman Plan discussions and programs from influence of Monnet. Villiers and Ricard insisted that Monnet had gone ahead without serious consultation with responsible industry leaders and as consequence Schuman Plan provisions never adequately studied. They claim Monnet has taken position toward industry that they must accept existing provisions without alteration or else US wld be displeased. They attribute delay in Fr Senate to desire carefully to consider specific provisions so as be certain that plan rests on solid ground and can succeed. Ricard emphatic on opposition to Monnet influence and remarked facetiously that major contribution to success Schuman Plan wld be appointment Monnet as Ambassador to Moscow.

Sent for info and comments.

DRAPER

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[1] Repeated to the Embassy in Paris.

No. 28

Conference files, lot 59 D 95, CF 106

Memorandum of Conversation, by the Officer in Charge of Swiss and Benelux Affairs (Scott) [1]

[Extract] [2]

TOP SECRET WASHINGTON, April 3, 1952.

Subject: Discussion of Items of General Interest to the Dutch [3]

Participants: The Secretary
Assistant Secretary of State Perkins
Ambassador Selden Chapin
Joseph W. Scott
Foreign Minister Stikker
Netherlands Ambassador von Roijen
J.G. de Beus

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OEEC AND EPU

Mr. Stikker said that there had recently been some talk of a crisis or even a failure of the OEEC. The danger arose from the fact that creditor nations in the EPU would not be prepared to increase their credit any further and from the fact that if the EPU fund were not increased, these creditor nations would probably prefer to return to bilateral negotiations. He said that if we now had to go back to the practice of bilateral negotiations in Western Europe in order to reach trade agreements that that would be the end, in his opinion, of liberalization of trade. He thought that this was one of the really fundamental problems confronting Europe today and that it had been particularly complicated by the heavy credit position of Belgium, Portugal and Sweden in the EPU.

According to Mr. Stikker, Mr. Draper's recent statement that the U.S. did not expect to make a direct contribution to the EPU in the coming fiscal year had had a very depressing effect. Another cause for depression was the UK's whole attitude toward the OEEC. He referred to his letter to me [4] regarding the British attitude and in elaboration said he was sure that the UK Treasury had a sympathetic attitude toward the OEEC but that the Foreign Office did not. Unfortunately, the Foreign Office was running the UK Delegation in Paris. Sir Edmond Hall-Patch of the UK Delegation in Paris was so much in disagreement with the Foreign Office's attitude that he was going to be replaced. Hall-Patch, along with Spierenburg and Marjolin, had made invaluable contributions to the working of the OEEC. The first two of these had now left and Marjolin was giving serious consideration to leaving before the Organization became a "museum for economic papers."

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[1] Drafted by Scott on Apr. 7.

[2] The omitted sections of this memorandum of conversation summarize discussions of the Korean armistice, Indochina, Tunisia, the Netherlands Antilles, and the EDC.

[3] Foreign Minister Stikker was in Washington to accompany Queen Juliana on her trip to the United States. Documentation on Stikker's visit to Washington, including background papers on the various subjects of common interest, is in Conference files, lot 59 D 95, CF 106.

Mr. Stikker went on to say that if we looked at the UK attitude, which was definitely inclined to favor NATO over the OEEC, and if we looked at the recent streamlining of the OEEC staff, we are bound to wonder whether the OEEC can continue to do a job. He said that if the financial situation of every country could not be studied on the basis of collective responsiblity, he was sure that Europe was headed for a real economic crisis. He believed that before the end of June a solution had to be found to this latter problem as well as a solution for the critically high credit position for the Belgians, Portuguese and Swedes.

Under pending MSA legislation it seemed to the Dutch that funds could be given directly to an international organization such as the EPU but, he added, the Draper statement referred to above seemed to exclude this. He thought that an investment of a small amount in EPU was more important even than military aid today. He believed that the EPU would need between two and three hundred million to continue another two years beyond June. He thought that most of this, that is about two hundred million, could and should come from Europe. So far, only the Dutch and Italians, however, have seemed definitely willing to contribute. He thought that the U.S. should contribute one hundred million.

I asked Mr. Perkins what had been the basis of the Draper statement. Mr. Perkins replied that in so far as our financial objectives were concerned it could be said that the EPU had contributed to European convertibility but had not contributed to world convertibility. He added, however, that Mr. Draper had said in the same statement that although no further capital contribution to the EPU itself is contemplated at this time, the U.S. expects to continue to assist several European countries to meet their deficit with the EPU.

Mr. Stikker recalled that Mr. Draper had said this but he said that that would not solve the problem of providing a fund of about three hundred million dollars which would enable the EPU to run for the next two years.

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[4] Not found in Department of State files.

I asked Mr. Stikker how firm the figure of 300 million he had mentioned really was, adding that if we were to ask for 100 million to contribute directly to the EPU we might very well expect Congress to want to see how far the EPU could get on the 200 million Mr. Stikker thought EPU members should contribute. I said, however, that we would get in touch with Mr. Harriman and Mr. Snyder before Mr. Stikker's return on April 10 and would try to have some more information on this subject for him by that time.[5]

On the matter of the external credit position of the Belgians, Portuguese and Swedes, Mr. Stikker thought it might be advisable to float a loan in the international market for some 500 million. He believed that this sum would take care of all three. He wondered who he should talk with in Washington about the possibility of floating such a loan. I told him I thought we would check with Willard Thorpe and Ed Martin on this and would let him know as soon as possible.

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[5] For a record of Acheson's second meeting with Stikker, Apr. 10, see Document 30.

No. 29

Conference files, lot 59 D 95, CF 106

Memorandum of Telephone Conversation, by the Personal Secretary to the Secretary of State (Evans)[1]

SECRET WASHINGTON, April 7, 1952.

The Secretary telephoned Mr. Harriman on another matter and during the course of the conversation asked him if Mr. Perkins had been in touch with Mr. Harriman about Mr. Stikker's desire to see him on Thursday of this week.[2] Mr. Harriman said that Mr. Stikker was lunching with him on Thursday.

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[1] Copies were sent to Perkins, Scott, and Schaetzel. Attached to the source text was a memorandum by Evans to McWilliams, dated Apr. 7, in which it was noted that "Acheson did end his conversation with Mr. Harriman by saying if we could not do anything about either of these matters that we would be in 'very bad shape.'"

[2] Apr. 10.

Mr. Acheson said that there were two points that he knew Mr. Stikker would want to take up with Mr. Harriman. The first one was EPU and Mr. Stikker would make a plea for the United States to put up more money. Mr. Stikker will say that the most important thing which should be done now is to check the tendency toward crisis which he sees in Europe. Mr. Stikker thinks that $250 million or $300 million should be added to the fund, of which he thinks the Europeans could put up $200 million. Mr. Harriman said he thought there was no chance that we could get Congress to go along with our supplying the difference.

The Secretary asked him if you needed specific authority, mentioned that a similar transfer had been made from ECA funds and asked whether that had been done under specific authority. Mr. Harriman was not clear on this point and said he would look into it. He said he thought it had been in the record of the hearings that they were going to use part of the appropriation in that case for the EPU.

Mr. Acheson said Mr. Stikker was also going to bring up the question of talking with someone about the possibility of a loan which would be endorsed by the EPU countries for the purpose of paying off creditors. Mr. Harriman made no comment on this point.

No. 30

Conference files, lot 59 D 95, CF 106

Memorandum of Conversation, by the Officer in Charge of Swiss and Benelux Affairs (Scott) [1]

SECRET WASHINGTON, April 10, 1952.

Subject: Discussion of Items of General Interest to the Dutch

Participants: The Secretary
Director for Mutual Security Harriman
Assistant Secretary of State Perkins
Assistant Secretary of State Thorp
Joseph W. Scott
Foreign Minister Stikker
Ambassador van Roijen
J. G. de Beus

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[1] A summary of this conversation was transmitted to the Embassy in Paris in telegram Topol 683, Apr. 15. (740.5/4-1552)

For a record of an earlier meeting between Acheson and Stikker, which took place in Washington on Apr. 3, see Document 28. Stikker was in Washington to accompany Queen Juliana on her visit to the United States.

I opened the conversation by noting that Mr. Stikker and Mr. Harriman had had an opportunity to discuss during lunch the matter of direct contributions to the EPU fund and the possibility of floating a NATO or EPU bond issue.[2] I asked Mr. Harriman to tell us how much of these topics he and Mr. Stikker had been able to cover in their luncheon conversation.

Mr. Harriman said that with regard to the floating of a loan he had explained to Mr. Stikker that we did not think it wise for the U.S. to underwrite the disequilibrium caused by the extreme credit positions in Europe of Belgium, Portugal and Sweden. As for contributions to the EPU itself, Mr. Harriman said he had told Mr. Stikker that we wished to support and help the EPU but that was as far as we thought we could go.

Contribution to the EPU

I read the recommendations contained in a paper which had been prepared on the subject of contributions to the EPU explaining that these recommendations represented the considered views of the three agencies concerned, namely, the State Department, the Treasury Department and Mr. Harriman's office. These recommendations were as follows:

> (1) The U.S. has a strong interest in the operation of the EPU and its effective functioning during the defense build-up and recognizes the importance which European countries attach to the EPU. We believe that it will be to our mutual interest for the members of the EPU to solve their present financial problems themselves without direct U.S. assistance.
>
> (2) The EPU should not plan on a direct contribution by the U.S. to its capital. Judging by the experience of the EPU since its inception, it appears to be within the power of the members of the EPU themselves to provide adequate additions to the EPU capital fund which should facilitate the continued functioning of the EPU beyond June 30, 1952. Such additional funds will not obviate the necessity of adopting measures to deal with the problem of the persistent creditors.

Mr. Stikker said that these views seemed to him to be identical with those Mr. Draper had expressed in his statement in Paris on this matter recently and asked us whether this was the final word on this subject. He said that the OEEC and the EPU had been kept together to date but that he could not now make any promises for the future. He said that he was very worried about this and thought it might create real trouble in Europe within the next month or so. He emphasized that he thought an increase in the

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[2] No record of this luncheon meeting with Harriman was found in Department of State files.

EPU fund was necessary and he repeated the arguments he had put before us last week regarding the possibility of an end to trade liberalization in Europe if, through an end of the EPU, it became necessary to resort to bilateral trade negotiations. In addition, he said that without an EPU, he didn't see how there could be a Schuman Plan or an EDC. He thus considered the question of contributions to the EPU as one of the key problems in Europe today.

I asked Mr. Harriman how he thought this key problem could be solved. Mr. Harriman said that this was a problem for European countries to solve themselves. He said that it was generic with certain countries which seemed to be determined to earn dollars through the EPU. He did not believe that we should be expected to ameliorate this in view of its origin and also in view of the fact that the countries referred to above maintained deflationary or anti-inflationary policies of so restrictive a nature that they were bound to create the very problem we were now asked to help solve. Mr. Harriman did not think that the Congress would, therefore, give serious consideration to a request for a direct contribution to the EPU fund in view of the fact that we were already contributing indirectly to their EPU through assisting certain of its members with the EPU deficits. He noted also that the EPU still had somewhere in the neighborhood of $300 million in its fund at present. He said that Mr. Stikker had done an amazing job in getting members of the EPU to work together and he urged Mr. Stikker to continue his work.

Mr. Stikker replied that he would continue and hoped that a way could somehow be found to maintain the EPU beyond June 30. There was another, longer-term problem which he wished to mention in this connection, however. This was the matter of getting on with the collective study of the internal financial stability of each OEEC country. He said that the OEEC had been successful in the case of Germany in carrying out such a study. There were real difficulties ahead, however, in getting France and the UK really to accept an international committee to study their internal financial affairs. He believed, for example, that the only way it would be possible to get the UK authorities to cooperate with such studies was through convincing them that the system would go on. If, therefore, the shorter-term problem of continuing the EPU beyond June 30 couldn't be solved, he was sure that the longer term problem of establishing the practice of collective responsibility for internal financial stability could not be solved. He concluded by saying that representatives of all of the OEEC countries would want to see him this afternoon after his meeting with us to hear what the possibilities were regarding a contribution to the EPU fund.

Mr. Harriman said that these were matters which ought to be negotiated out in Paris. Mr. Stikker said that as Chairman of the OEEC he had considered it his duty to put these problems before us.

Proposal to Float a $500 Million NATO or EPU Bond Issue in the International Market

We then took up Mr. Stikker's proposal of last week regarding the floating of a bond issue of some $500 million in the international market here. I had promised him last week that we would consult with the other agencies concerned here regarding this matter and read from a paper which had been subsequently prepared on this subject. [3] I told him that as we saw it, such an issue could be successful only if the U.S. were to underwrite it in its entirety and that this would unquestionably require Congressional action.

Discussion of Possibilities of Assistance from International Monetary Fund

Mr. Stikker asked what we thought of the possibility of obtaining an advance from the International Monetary Fund. I asked Mr. Thorp to come into the meeting to give his views on this.

Mr. Thorp said that he thought there would be two difficulties in the way of the Fund's taking favorable action. The first difficulty was the psychological factor. As Mr. Stikker probably knew, the Fund had no enthusiasm for the EPU because the EPU had seemed to "invade" some of the Fund's territory. The second difficulty arose from an established general policy of the Fund regarding the release of its resources. Under this general policy the Fund was husbanding its resources during the present, transitional period until the time came when the Fund's resources could be used to support financial stability. The U.S. was in agreement with this policy which seemed to us to be consonant with the Fund's Charter. A change from this policy might in fact require a modification of the Fund's Charter.

Mr. Stikker then asked whether the U.S. attitude toward the EPU were the same as the Fund's. Mr. Thorp said that it wasn't, that we were supporting the EPU and that the Fund was not. He asked Mr. Stikker whether he knew of any studies having been made of the possibility of utilizing the Fund's resources to support the EPU. Mr. Stikker replied that he was not aware of any formal study which had been made but that he and his associates had heard that there had been a change in the general policy of the Fund around the beginning of this year which would make it possible to use the Fund's resources for such a purpose. He also said that it was his and his associates' opinion that the principal barrier to the possibility of the Fund's supporting the EPU was psychological. Mr. Thorp said that although he hadn't discussed this with other members of the Fund's Board, it was clear that we would have to change our general position regarding the use of the Fund's resources before we could agree to their use for support of the EPU.

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[3] A copy of this paper is in Conference files, lot 59 D 95, CF 106.

Mr. Thorp then asked Mr. Stikker whether he saw any end to the excessive creditor position of Belgium. Mr. Stikker replied that he saw no end to it until Belgium stopped trying to earn dollars in Europe. As Mr. Stikker saw it, this was one of four problems which were all hinged together and which had to be solved if we were going to avoid real economic trouble in Europe. These four problems were (1) the problem of international review of the internal financial stability of European countries, (2) an increase in the EPU fund, (3) a decrease in the external credit position of Belgium, Portugal and Sweden, and (4) a change in the Belgian dollar policy. He concluded on this subject by saying we should not be surprised if we ran into serious trouble on the above matters by May or June and expressed the hope Mr. Thorp would look carefully at the problem posed by the psychological barrier regarding the EPU which the International Monetary Fund seemed to have. Mr. Thorp said that he would.

[Here follows discussion of the European Defense Community negotiations, a German defense contribution, a request for relief as a guarantor under the Indonesian Surplus Property Credit Agreement, a request for ships to transport emigrants from the Netherlands, possible changes in management of the Nicaro Nickel Company, and the blocking of assets of the Slavenburg's Bank in the United States.]

No. 31

740.00/4-1152

Memorandum Prepared by the British Foreign Office [1]

CONFIDENTIAL [LONDON, April 11, 1952.]

COUNCIL OF EUROPE

At the meeting of Ministers' Deputies on 21st March, the United Kingdom representative undertook to circulate a memorandum explaining in detail how practical effect might be given to the proposals put forward by the Secretary of State for Foreign Affairs at the Tenth Session of the Committee of Ministers.

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[1] Transmitted to the Department of State as an enclosure to despatch 4763 from London, Apr. 11 (740.00/4-1152). The ideas contained in this memorandum were *Continued*

2. It will be recalled that the essence of Mr. Eden's proposals was that the Council of Europe should be remodelled so that its organs could serve as the ministerial and parliamentary institutions of the Schuman Plan, the European Defence Community and any future organisations of the same structure. At the same time, the Council of Europe would continue to serve as a consultative body and as a forum for inter-governmental and parliamentary cooperation in Western Europe.

3. If these proposals are acceptable, it will be necessary to work out a "two-tier" system on the following basis:

(a) On occasions, the Committee of Ministers and the Assembly would meet on a 6-power basis to transact business connected with the Schuman Plan and the European Defence Community; and on a similarly restricted basis in the case of future supranational organisations with the same structure. Countries not participating in these organisations would *not* be represented at these restricted meetings unless invited to attend as observers (or in some other capacity) by the Governments concerned.

(b) The Committee of Ministers and the Assembly would continue to meet, as at present, on a 15-power basis for the purposes set out in Article 1 of the Statute.

Method of giving legal effect to the United Kingdom proposals.

4. The Statute of the Council of Europe in its present form would remain the framework within which the Committee of Ministers and the Assembly would operate on a 15-power basis. In particular, Article 1 (d) of the Statute, which excludes questions of national defence from the competence of the Council of Europe, would continue to apply to meetings of the Committee of Ministers and the Assembly *as a whole*, except in so far as the Ministers have agreed that the Assembly can discuss the *political aspects* of defence (see also paragraph 7 below).

5. Provision for restricted meetings of the Committee of Ministers and the Assembly, to enable these organs to serve as the institutions of existing and future supranational organisations, would be made in a Protocol to the Statute. This Protocol would be purely *permissive*. It would therefore be left to the Governments participating in the Schuman Plan and the European Defence Community to decide whether and at what stage the ministerial and parlia-

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subsequently referred to as the "Eden proposal" and the "Eden plan." For further documentation on the "Eden proposal," see Great Britain, Foreign Office, *Council of Europe, Proposals of Her Majesty's Government in the United Kingdom* (Command Paper 8516) (London, 1952).

mentary institutions of the European Community should be brought under the aegis of the Council of Europe. These Governments would make whatever arrangements were necessary among themselves—either by administrative dispositions or by the conclusion of a separate legal instrument—to take advantage of the facilities provided for in the Protocol. This, in the view of Her Majesty's Government, would not necessarily involve at this stage an amendment to the Treaty constituting the Coal and Steel Community or to the draft E.D.C. Treaty in its present form. The United Kingdom proposals need not therefore delay the ratification of the former nor the conclusion of the latter.

6. The Protocol to the Statute of the Council of Europe might be based on existing texts dealing with specialised authorities and the conclusion of partial agreements. These texts are not, however, sufficiently precise or comprehensive to give effect to the United Kingdom proposals. Moreover, before a Protocol can usefully be drafted, it will be necessary for member Governments to reach agreement on the following points:

(a) *Membership and functions of the Assembly*

(i) In order to conform to the representation laid down for the Assemblies of the E.D.C. and the Schuman Plan, some adjustment in the membership of the Assembly of the Council of Europe seems desirable in order to permit the same representatives to sit in both the 6-power Assembly and the 15-power Assembly. This would provide continuity and a close link between the work of the two bodies. As the draft E.D.C. Treaty stands at present, the E.D.C. Assembly will, in the first instance, be the same as the Assembly of the Schuman Plan, except that, for E.D.C. purposes, France, the German Federal Republic and Italy will each have three additional seats. Taking the E.D.C. Assembly as a basis, this would mean an increase in representation as follows (the figures in brackets indicate present membership):

France	21 (18)
German Federal Republic	21 (18)
Italy	21 (18)
Belgium	10 (6)
Netherlands	10 (6)
Luxembourg	4 (3)

Governments not participating in the work of a 6-power Assembly may wish to consider whether their representation in the 15-power Assembly should also be increased in order to preserve the present balance.

(ii) The report of the Paris Conference submitted to the North Atlantic Council at Lisbon states that the First Assembly of the European Defence Community will, as soon as the Treaty comes into force, examine the constitution of a Defence Community Assembly which will be specially elected on a democratic basis. It therefore appears that the Protocol to the Statute of the Council of Europe should include provisions modifying Article 25(a) of the Statute to enable Assembly representatives from the countries participating in the European Defence Community to be appointed in due course by direct election. Representatives from other countries would continue to be elected by national parliaments or appointed in such manner as these parliaments may decide.

(iii) Provision might be made for representatives of countries not participating in the Schuman Plan and the E.D.C. to be invited to attend restricted sessions of the Assembly as observers or in some other capacity.

(iv) The Assembly when it meets on a 6-power basis would exercise those functions allotted to the Schuman Plan and E.D.C. Assemblies under the relevant Treaties, and would not be bound by the rules of procedure of the Assembly as a whole.

(b) *Committee of Ministers*

(i) Article 14 of the Statute of the Council of Europe provides that representatives on the Committee of Ministers shall be Ministers for Foreign Affairs or their alternates. Members of the ministerial bodies of the Coal and Steel Community and the E.D.C. will not necessarily be Foreign Ministers. It therefore seems desirable to include in the Protocol provisions enabling each of the six Governments concerned to be represented at restricted meetings of the Committee of Ministers by any representative they choose to appoint. This representative would attend in his own right and not as an alternate of the Minister for Foreign Affairs.

(ii) Provision might also be made for the six Governments concerned to invite representatives of other member Governments to attend restricted meetings of the Committee of Ministers as observers or in some other capacity.

(iii) The Committee of Ministers when it meets on a 6-power basis would exercise the powers and functions of the Ministerial bodies of the Schuman Plan and the E.D.C. and would not be bound by the rules of procedure of the Committee of Ministers as a whole.

(c) *Organisation of the Secretariat*

The United Kingdom proposals involve more work and increased responsibilities for the Secretariat-General which, in addition to its present functions, would be required to provide the Secretariat for the Council of Ministers and Assembly of both the Schuman Plan and the E.D.C. The Secretariat-General in its present form should be able to provide certain common services for the Committee of Ministers and the Assembly whether they meet in restricted session or on a 15-power basis. This arrangement should prove more economical than the establishment of the ministerial and parliamentary institutions of the Schuman Plan and the E.D.C. outside the framework of the Council of Europe. So far as the institutions of the Schuman Plan are concerned, it might be possible for the Secretariat-General to undertake the additional work with only a small increase in its present staff.

The work connected with the E.D.C. presents a special problem. In view of the secret nature of E.D.C. questions, special security arrangements will be required to ensure that E.D.C. documents are not dealt with by unauthorised persons and that European Defence Community members do not come within the competence of the Secretariat-General as a whole. This points to the creation of a separate, self-contained Secretariat for E.D.C. questions, the head of which would be directly responsible to the Secretary-General. This Secretariat would not be concerned with the other work of the Council of Europe, although, for economy reasons, it would make use of the general administrative services of the Secretariat-General for such matters as accommodation, payment of salaries, etc.

(d) *Finance*

It is suggested that the additional cost to the Council of Europe of undertaking functions connected with the Schuman Plan, the E.D.C., and any similar organisations created in the future, should be borne by the Governments concerned. If it should prove impracticable to secure this object by identifying the proportions of the total expenditure of the Council attributable to the performance of such functions and charging them to the powers directly concerned, some alternative means of securing it would have to be devised, for example by re-assessing the percentage contributions of all member countries on a basis which took due account of the degree of participation of each member country in the activities of the Council as a whole.

The E.D.C., defence questions and the Council of Europe

7. The United Kingdom proposals, in so far as they relate to the Council of Ministers and the Assembly of the E.D.C., must be regarded as an exception to Article 1(d) of the Statute, which excludes questions of national defence from the competence of the Council of Europe. Article 1(d) will still apply to the work of the Committee of Ministers and the Assembly *as a whole*. Thus, those countries not participating in the E.D.C. will not necessarily come into contact with this aspect of the Council of Europe's work. In any case the United Kingdom proposals do no more than enable the Council of Europe to provide the *political* institutions of the E.D.C., leaving *military* questions to be dealt with outside the Council of Europe by the Board of Commissioners of the E.D.C. and by N.A.T.O.

Conclusion

8. The more detailed proposals set out above take into account the views expressed at the tenth session of the Committee of Ministers. They are intended as a basis for discussion at the meeting of Deputies on 28th April. While, in the view of Her Majesty's Government, they represent the most satisfactory way of giving practical effect to the United Kingdom proposals, Her Majesty's Govern-

ment will, of course, give careful and sympathetic consideration to any alternative suggestions put forward by other member Governments.

No. 32

Camp files, lot 55 D 105, "Chronological file—1952"

The Director of the Office of European Regional Affairs (Martin) to the Deputy to the United States Special Representative in Europe (Merchant) [1]

CONFIDENTIAL [WASHINGTON,] April 22, 1952.
OFFICIAL–INFORMAL

DEAR LIVIE: One of the things which disturbed me most in a number of telegrams from MSA/E just prior to the last OEEC meeting was the tendency to regard all economic work as the province of the OEEC, confining the NATO, by implication, strictly to the military and political fields. My worries have been intensified rather than allayed by Jeff's report on the MSA Mission Chiefs meeting which he attended. I judge that in the course of the discussion Porter stated that a "political" decision had been taken to the effect that the OEEC was to become the economic arm of the North Atlantic Community. I suspect Porter is basing himself on the Secretary's message to Eden [2] and is reading into the message much more than is there. For whatever help it may be I should like to elaborate a little further on some of our thoughts here in RA on this complicated question of the NATO–OEEC relationship in the economic field.

In the message to Eden we took the position that the OEEC and the NATO should be regarded as complementary organizations rather than as competing organizations. We further said that the OEEC was in a very real sense an organization of the Atlantic Community and not simply an organization of Western Europe. This, it seems to me, is true, but it is very different from saying that the OEEC is the economic organization of the North Atlantic Community. As you know, we have been disturbed for some time at the British attitude toward the OEEC. We have felt that the reasons for their coolness toward the OEEC stemmed from the fact that they regarded it as the primary forum in which the U.S. needled them into futher European integration. Although the British presumably did not stir up competition between the NATO and the

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[1] Drafted by Camp.
[2] See Document 18.

OEEC delegations and staff, I feel sure they were not sorry to see the issue presented at times in terms of a choice between the two. As long ago as the Foreign Ministers' meeting in London in the Spring of 1950 [3] the British sought to persuade both us and the French that the time had come to plan for the decent burial of the OEEC and that henceforth we should concentrate all our major efforts on the NATO. The British, of course, attach considerable importance to the fact-that in the NATO the U.S. participates on an equal footing with the U.K., and other countries, while our somewhat ambiguous position in the OEEC enables us to stimulate action on the part of other countries without necessarily having to undertake the same action ourselves. In this circumstance and given the British preoccupation with their Commonwealth relationships, their position is understandable. However, for the reasons set forth in the Secretary's message to Eden, i.e., principally the need for a forum in which Germany and the neutrals participate, we feel it would be a great mistake to undercut the OEEC at this time. The message to Eden was of course directed at meeting the specific points which we belived motivated the British.

I believe the difficulties of a sensible division of labor between the two organizations tend to become overemphasized. This undoubtedly is a result in part of a mistaken feeling on the part of the MSA, and perhaps also of the State Department, that the OEEC is an emanation of the MSA and the NATO of the Department. It seems to me that the question of division of labor and relationship between the two organizations falls into place without too much trouble if one thinks in terms of the economic work which needs to be done within Western Europe or in the North Atlantic Community as a whole and then considers which organization can most appropriately handle particular jobs, rather than by the reverse approach of staking out in advance a closed area of responsibility for the OEEC (as OEEC Secretariat and some OEEC delegations have insisted must be done to build up their own morale) and another area of responsibility for the NATO or by seeking to draw a hard and fast line between the problems of Western Europe on the one hand and the problems of the North Atlantic Community on the other hand. Although there are some economic problems which are susceptible to solution on a Western European basis, they are not many, and most economic problems these days require some degree of cooperaton of the U.S. Therefore, the test of U.S. participation is too simple a one. So is the test of whether or not the problem to be dealt with is directly related to the defense program. Certain other kinds of tasks as well NATO is obviously much better fitted to perform. For example, I suspect there may be quite a range of problems where what is important is not the broadest possible participation by the countries of Western Europe, but an agreement among the principal European powers and the U.S. to modify specific domestic policies in the common good. I have in mind such things as joint action on taxation, or in connection with restrictive arrangements such as Buy-American legislation, etc., where a NATO recommendation would be a persuasive reason for a shift in U.S. policy whereas an OEEC resolution would not. Another reason for NATO action in certain cases arises from the fact that the NATO is a permanent organization and the OEEC, in terms of long term independent existence, is probably not. At the time that the Federal Republic comes into NATO I think we will want to give real consideration to the dismemberment of the OEEC, consolidating with the NATO those functions of the OEEC which can be of direct assistance to the work of the NATO, and with the Council of Europe those functions which can and should be carried on on a European basis. Although the fact that we may move toward the dismemberment of the OEEC at some point in the future may make it desirable to initiate certain types of long-term developments in the NATO rather than the OEEC, it does not seem to me to justify any weakening in our support for the OEEC at this time. We do not in any way want to take the steam out of concerted action on the current efforts to increase production, control inflation, liberalize trade and payments, etc. Furthermore, at such time in the future as it may seem wise to reorganize the OEEC, I should hope it could be done in such a way that there is no loss in momentum, insofar as concerted action on these problems of common interest is concerned.

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[3] For documentation concerning the London Foreign Ministers meeting in May 1950, see *Foreign Relations*, 1950, vol. III, pp. 828 ff.

I do not know whether these somewhat scrambled thoughts will help but pass them on for your informal comment and possible use in discussions with Porter *et al.*

Sincerely yours,

EDWIN M. MARTIN

No. 33

740.00/4-1152

Memorandum by Elwood Williams of the Office of German Political Affairs to the Deputy Director of the Office (Calhoun) [1]

CONFIDENTIAL WASHINGTON, April 24, 1952.

Subject: Eden Plan

I spoke with regard to the attached [2] to Miss Preston of RA. She had drafted an answer to London's 4755 [3] and left it with Miss Camp for signature. [4]

It developed that RA is really operating pretty much by "feel" on this subject as opposed to being full of clear and detailed ideas about how the scheme is going to work and what it is going to do. The general sense of the draft telegram is that we tend to favor the plan. We apparently feel that there is no possibility of it being a device to hinder Schuman Plan and EDC operations—there are plenty of ways of doing that by more direct means. On the other hand, it is our position to welcome schemes for closer coordination of the numerous inter-European bodies that are springing into existence, unless there is good reason to think that the new scheme will only add a confusing element or be otherwise unfortunate.

I gather that RA feels nothing terribly exciting will come of this plan. There are, after all, not so many things that can be done through Central Secretariat services provided by one Secretariat for the several bodies. Nevertheless, it is felt that the channels of Central Services will do something to keep information and ideas flowing between the countries involved in the various organizations and thus do something to diminish the areas of dimness in which intrigue is always likely to flourish.

As you see, RA is not operating on very much more information than we ourselves have. Miss Preston promised to send over a copy of the British suggestions regarding the plan as soon as she can get one typed.

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[1] A copy was also sent to Hillenbrand.

[2] The first attachment was despatch 4763 from London, Apr. 11, which enclosed the memorandum prepared by the British Foreign Office concerning the Council of Europe; see Document 31.

[3] Not printed; it informed the Department of State that the Secretary of the Italian Embassy in London asked what U.S. reactions were to the "Eden proposals." (740.00/4-2152)

[4] The response under reference, which was drafted in the Office of European Regional Affairs, is presumably Document 36.

No. 34

NAC files, lot 60 D 137, "NAC Documents"

Report Prepared by the Secretary of the National Advisory Council [1]

CONFIDENTIAL [WASHINGTON,] May 1, 1952.

Subject: European Payments Union

Recommended Action:

The National Advisory Council advises the Director for Mutual Security that:

I. General Principles

The Council, having reviewed the developments under the European Payments Union in the past two years finds that the European Payments Union has facilitated the development of transferability of European currencies and promoted the liberalizaton of trade among participating countries, including trade required for the current large-scale European defense program, and reaffirms the principles set forth in Part I of its action of January 23, 1950 (Action No. 383 [2]), and considers that in future relations between the U.S. Government and the Union the following additional considerations should guide the U.S. Government.

A. While the future of the European Payments Union in form and function is primarily a European problem, the U.S. should, in keeping with the resolution unanimously adopted at Lisbon by all North Atlantic Treaty member governments, continue to give support to effective measures to provide for a satisfactory functioning of the European Payments Union during the defense build-up. The European Payments Union is not, however, to be regarded as a permanent institution in its present form, but is rather to be regarded as an organization transitional to full currency convertibility and non-discriminatory multilateral trade, and leading to closer integration, including possible political federation among some of its members. An appropriate review of United States policy with respect to the European Payments Union should be made annually.

B. The Council considers that the U.S. Government should continue to oppose any action by the Union favoring measures by any participating country to impose discriminatory restrictions on transactions with the dollar area for purposes of adjusting intra-

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[1] The report, which was circulated as NAC Document No. 1273 (Second Revision), was approved by members of the National Advisory Council in a telephone poll completed on May 5. For a record of the discussion of an earlier draft of this document, see Document 10.

[2] See footnote 3, Document 9.

European balances of payments. The Council also recommends that the U.S. Government should continue to exercise its influence to facilitate movement toward non-discriminatory trade on a global basis and convertibility of currencies, and to bring about a balanced competitive relationship between the European economy and the rest of the world, and thus to facilitate better utilization of resources.

C. The Council wishes to emphasize the general policy of the United States, in both bilateral and multilateral relations, of exerting its influence to strengthen weak currencies within the Union, and to discourage pressure from any source on stronger countries to weaken their currencies for purposes of adjusting balances of payments within the Union.

II. Financial Relations Between the U.S. Government and the European Payments Union

A. So far as can be foreseen, the U.S. Government should not make any further contribution to the capital fund of the European Payments Union.

B. In the allocation of United States assistance and the administration of offshore procurement, the Council is of the opinion that decisions designed primarily to affect the assets and functioning of the European Payments Union should be taken only after consultation with the National Advisory Council.

C. The Council further recommends that, where dollar assistance is being given to countries to cover their over-all deficits in their balances of payments, and consequently their deficits in the European Payments Union are being covered 100 percent on a dollar basis, consideration should be given to the feasibility of requiring such countries to pursue a non-discriminatory policy with respect to imports from dollar and non-dollar sources.

III. Management of European Payments Union and United States Participation Therein

A. The Council reaffirms its recommendation of January 1950 that the United States should not participate in the management of the European Payments Union. To the extent that any United States representatives participate as observers in discussions of European Payments Union problems they should endeavor to further the objectives of United States policies, including the NATO defense effort, the promotion of economic unification and political federation in Europe, and the financial and commercial policies as set forth in IMF and GATT. In dealing with questions related to U.S. financial policies, there should be consultation with the National Advisory Council as specific problems of coordination arise.

B. The Council notes that during the period in which the original United States capital contribution continues to be drawn upon, United States veto power on drawings against such contribution would continue to exist, and that, in general, the role of United States observers should be one of intervening to promote United States interests.

IV. Coordination of U.S. Position in the European Payments Union with U.S. Position in International Monetary Fund and GATT

A. The Council considers it a matter of highest importance that any position taken by United States representatives with respect to the European Payments Union or its individual members should be consistent with the policies of the United States in the International Monetary Fund and GATT, particularly with respect to exchange rates, exchange restrictions, monetary policies and commercial policies. It recommends that the agencies of the Government principally concerned with the United States positions in IMF, EPU and GATT obtain or make proposals which would promote the effective coordination of the important financial policies and actions of these institutions for consideration by the Council before the views of the United States Government are expressed.

B. The Council draws attention to the great importance in European payments problems of appropriate exchange policies and recommends that exchange questions arising in connection with the European Payments Union be referred to the International Monetary Fund for appropriate review in accordance with the general procedures of the Fund.

No. 35

740.00/5-252: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

CONFIDENTIAL PARIS, May 2, 1952—5 p. m.

6729. Embtel 6656; rptd info Bonn 736, London 1836, Rome 626, Strasbourg unn. [2]

Fol comments on current mtg of deputies of comite of Mins of Council of Eur obtained from FonOff.

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[1] Repeated to London, Rome, Bonn, Ankara, Athens, Brussels, Copenhagen, Dublin, The Hague, Luxembourg, Oslo, Reykjavik, Stockholm, and Strasbourg.

[2] Not printed; it informed the Department of State that the Deputies of the Council of Europe Committee of Ministers began meeting in Paris on Apr. 28 to discuss the Eden proposal and that the Embassy would attempt to cable significant developments as they progressed. (740.00/4-2952)

Clarification of UK position on coordinaton C of E with defense and coal steel communities in initial discussion of current meeting has disappointed Fr del. Fr had hoped that Eden proposal, made in March mtg of CM, indicated UK willingness to enter into close association with work of two communities. They had hoped UK would participate regularly—observing, expressing opinions though, of course, not voting. However, current discussions have indicated that UK proposal merely involves making C of E name, buildings and existing secretariat services available to new communities with no effective association via C of E between six Schuman Plan countries and other nine members of C of E in defense and econ activities of two communities.

Altho Mins gave favorable reception to Eden proposal when it was made at March mtg, little enthusiasm has been shown in current mtg. Ger del has expressed quite negative attitude, Ital and Benelux dels have also expressed reservations. Fr are becoming less enthusiastic as result of clarification of UK position. Schuman Plan countries are wary of Eden proposal due to fear that association with C of E might slow progress of defense and coal steel communities which they consider have real prospects of providing means to full polit and econ integration. C of E, on other hand, has no apparent supranational prospects and is tied down to pace of slowest member.

Among specific difficulties raised by Eden proposal which have been discussed is relation of high authority and commissariat to C of E which has no equivalent organs. Problem of entrusting secret military matters to C of E secretariat has led to thinking that only in case of assemblies—which would not be given classified info—could secretariats be combined.

Although initial discussion has thus led to pessimism regarding worth of Eden proposal, study is still in early stages. Deputies have postponed further discussion while a subcomite is drafting questionnaire for member countries designed to define problems and clarify positions. Questionnaire to be ready Friday morning for consideration by deputies. Meeting will probably be suspended for about two weeks while deputies obtain instrs from govts on replies. Deputies wld reconvene prior to May 22 mtg at Strasbourg of CM to prepare report on results of study.

DUNN

No. 36

740.00/4-1152: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, May 2, 1952—7:50 p. m.

6487. Dept of two minds best method handling Eden proposal re assoc Schuman Plan and EDC with Council of Eur. Analysis of memo contained London Desp 4763 [2] leads us to conclusion that substantively plan offers very little in terms of significant institutional development and that form of relationship it proposes wld present admin difficulties unless hdqrs EDC, Schuman Plan and Council of Eur in same spot, which we judge is unlikely. Plan also would raise problem of effect on EDC–NATO relationship of an EDC–Council of Eur link.

On other hand plan might have important psychological effect by committing non-member countries to closer relations with EDC and Schuman Plan, which might in turn assist movement toward six-country grouping. We hesitate cool off any gesture on part Brit toward closer assoc with EDC and Schuman Plan or ourselves make move which might be interpreted as weakening Council of Eur.

As we understand plan, principal significance in Ministerial link proposed is that Mins from non-EDC–Schuman Plan countries might at times be invited attend mtgs of EDC and Schuman Plan Ministerial Councils. Presumably this could be done in any case but formal arrangement kind suggested might tend make it happen more frequently.

Of more apparent significance is proposed link of assemblies. Since nature discussion in Schuman Plan and EDC assemblies will presumably tend to be concerned with broad questions of trend developments rather than concentrated on subjs which either excessively technical or highly classified, link through identity membership wld be relatively easy arrange and adoption Eden proposal might result in increasing tendency hold assembly sessions on broad rather than restricted basis with consequent strengthening assoc between EDC–Schuman Plan group and other Western Eur countries.

Secretariat link wld appear be excessively cumbersome administratively unless all three bodies located in same place. Even if this were to happen, difficult see how any except housekeeping type services cld be provided on centralized basis. Even on this limited basis some special security arrangements wld probably have to be arranged for EDC work.

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[1] Drafted by Camp, cleared with Hillenbrand, Vernon, and Andrew B. Foster, and repeated for action to London.

[2] See Document 31.

In view foregoing, we inclined believe best course for US is not to comment on plan at this stage but see how discussion shapes up and proposal evolves in Depts mtg. However wld appreciate comments Paris and London Embs and SRE. [3]

ACHESON

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[3] The Embassy in London responded in telegram 5042 of May 7, in which Gifford stated that the United States "shld hesitate to pour cold water on Brit initiative in this field." He also pointed out that the Eden proposal on the Council of Europe dealt primarily with European problems which should be solved by Europeans. (740.00/5-752)

No. 37

740.00/5-852: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

CONFIDENTIAL PARIS, May 8, 1952—7 p. m.

6906. Embtel 6929 May 1. [2] Deputies of CM of Council of Europe have completed meeting on Eden proposal by agreeing to questionnaire which is to be answered at next meeting deputies Strasbourg May 16. [3] FonOff and Secretariat comments follow:

Statements of UK del in closing sessions offered more grounds for optimism re UK desire to achieve worthwhile coordination involving some UK association with def and coal steel communities. UK del appeared to be impressed with pessimistic reaction other dels to its initial statements and with unanticipated strongly critical position of Ger-Ital dels whose close alignment somewhat alarmed other dels. Meetings conducted in tense atmosphere and there was evidence of conflicting interests between French, who desire obtain some form of UK association from Eden initiative, and other Schuman plan-EDC countries who (as reported Embtel 6929) are fearful that attempt to obtain something workable from Eden proposal will only result in slowing down European integration.

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[1] Repeated to London, Rome, Bonn, Ankara, Athens, Brussels, Copenhagen, Dublin, The Hague, Luxembourg, Oslo, Reykjavik, Stockholm, and Strasbourg.

[2] Presumably a reference to Document 35.

[3] An unofficial report on the meetings of the Ministers' Deputies of the Council of Europe, held at Paris from Apr. 28 to May 5, was transmitted to the Department of State in despatch 2940 from Paris, May 7. (740.00/5-752)

Answers to questionnaire, which is quoted in immediately following tel,[4] will clarify whether, and in what way, there may be formal coordination between CE and specialized auths. At present, coordination that appears most probable is between assemblies and between juridical organizations. Secretariats might be related in similar manner to secretariats UN organizations. Problem of ministerial coordination remains most difficult as well as most important.

DUNN

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[4] Telegram 6907 from Paris, May 8, contained the text of the questionnaire under reference. (740.00/5-852)

No. 38

Editorial Note

The Deputies of the Committee of Ministers of the Council of Europe met in Strasbourg May 16–21 to discuss, among other things, the Eden proposal. The meetings ended after days of what an American official described as "fruitless discussion" which left all the important questions in abeyance. (Telegram 144 from Strasbourg, May 22; 740.00/5-2252) The Deputies were able to agree, however, on an agenda for the Eleventh Session of the Committee of Ministers which was to follow in Strasbourg beginning on May 22. Unlike the Deputies, the Committee of Ministers was able to reach agreement on the general principles of the Eden proposal and adopted a resolution outlining that agreement during its meeting on May 23. The text of this resolution was transmitted to the Department of State in telegram 151 from Strasbourg, May 23. (740.00/5-2352) Documentation concerning the meetings of the Deputies and the Eleventh Session of the Committee of Ministers is in Department of State file 740.00.

Following these preparatory meetings, the Fourth Ordinary Session (First Part) of the Consultative Assembly of the Council of Europe met in Strasbourg May 26–30. Among the resolutions adopted by the Assembly were Resolution 11, which requested from the Committee of Ministers their opinion on the best means of giving effect to the Eden proposal, and Resolution 14, which concerned the means of drafting the statute of the European Political Community, both approved on May 30. For a record of these meetings and the text of statements made by the delegates during the discussions, see the Council of Europe, Consultative Assembly, Fourth Ordinary Session (First Part), May 26–30, *Minutes of Pro-*

ceedings (Strasbourg, 1952) and *Official Report of Debates* (Strasbourg, 1952), respectively. For a brief summary of this Fourth Session, including the texts of the recommendations, resolutions, and opinions approved during the meetings, see Great Britain, Foreign Office, *Report on the Proceedings of the Fourth Session of the Consultative Assembly of the Council of Europe* (Command Paper 8701) (London, 1952).

No. 39

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto": Telegram

The United States Special Representative in Europe (Draper) to the Mutual Security Agency

SECRET PRIORITY PARIS, May 19, 1952—11 p. m.

Repto 2172. Eyes only Kenney from Draper, please pass Harriman and Perkins.

Porter and I, in close consultation with Marjolin, have been giving active consideration to chairmanship of OEEC for next year. Feeling of most delegations seems to be that selection shld be made before ministerial council mtg end of June. This wld preclude reelection of Stikker, whose position in new Dutch Govt after elections will not be known until some time in July. Norwegians have indicated they wld be prepared to put forward Lange, and Itals Pella, but major sentiment now developing for Butler, partly to avoid prospective rivalry between Lange and Pella and partly belief that British support for OEEC wld be stronger if Butler in chair. We also intend to urge Butler to accept though recognizing that apart from ministerial council mtgs he will not be able to give as much time to OEEC affairs as Stikker and also that there may be risk Brit might use chairmanship to restrain OEEC initiative. On other hand, there is strong possibility that given responsibility for leadership, Brit role may be distinctly more positive. On balance we believe advantage lies with encouraging Butler to accept.

Marjolin had talks with Eden and Butler in London recently and while Butler was unwilling to make commitment as to his availability, Marjolin believes prospects of his acceptance are good. Schuman, Van Zeeland and Hammarskjold favor Butler as first choice and we believe Norwegians wld willingly defer. If Butler willing to accept, unanimous support probable.

We believe best approach to Butler wld be request by Mins from major countries including US on occasion of next ministerial council mtg now set for May 29–30 (postponement until fol week possible). We understand from Marjolin that Schuman wld probably be willing to take initiative of arranging dinner party of principal Mins to agree on proposal to Butler.

In event Brit have chairmanship of council, Itals (Cattani) or Norwegians (Skaug) probable as chairman of executive comite.

DRAPER

No. 40

740.00/5-2452: Telegram

The Ambassador in Sweden (Butterworth) to the Department of State [1]

CONFIDENTIAL STOCKHOLM, May 24, 1952—3 p. m.

1354. Re Deptel 1435 of May 22 rptd London 636, Strasbourg 65, [2] this Emb has not recd Strasbourg's tel 143 to Dept [3] presumably because it was pouched to Stockholm.

Emb fully agrees with assumption set forth final sentence Deptel 1435. FonMin Unden and PriMin Erlander have made statements over past fortnight indicating rather firm opposition to Eden plan as it concerns EDC, but this largely in order to keep Swed's position as a mil neutral clear on the public record and to improve Swed's tactical position during Strasbourg discussions. As my Brit colleague stated (see Embdes 880, April 30 [4]), "there is a good deal of bluff in the Swed Govt's expressed concern over Mr. Eden's proposal". At the same time Swed has been distressed by the proposal to extent that it has brought Swed's internatl position into limelight, has provoked a good deal of criticism in Swed of govt "inability to keep the people informed", and may have roused some genuine Swed concern that, even if Eden proposal does not establish a formal link between EDC and CE, it is thin edge of entering wedge and subsequent moves may be made to link the two orgs in a manner Swed cld not accept.

For the moment Swed's efforts at Strasbourg wld seem to be directed at postponing and delaying a decision on this question, yet attended by a willingness to find a formula. Such a formula shld not be difficult to find, particularly if it does not involve an alteration [of] the statute of the Council. But even if the statute were altered Swed, wld be no less anxious to remain associated somehow with the Council and wld probably find its way clear for doing so.

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[1] Repeated to London, Paris, and Strasbourg.

[2] Not printed; it requested that the Embassy inform the Department of State of further details concerning the Swedish position on the "Eden proposal." (740.5/5-2152)

[3] Not printed; it reported various reactions in Sweden to the "Eden proposal," including the text of a newspaper article and a summary of several conversations with officials in Stockholm. (740.00/4-3052)

[4] Not printed.

BUTTERWORTH

No. 41

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto": Telegram

The United States Special Representative in Europe (Draper) to the Mutual Security Agency [1]

SECRET PARIS, May 24, 1952—8 p. m.

Repto 2248. Limit distribution. From Draper for Harriman, Kenney, and Bruce.

Am informed by Marjolin that Eden told Stikker he was willing to accept chairmanship of OEEC on understanding that Butler would frequently substitute for him in Ministerial Council. Receptivity of British to OEEC chairmanship also confirmed by Bill Batt, who, with Julius Holmes, had explored this matter earlier this week. I see strong advantages in OEEC having British chairman, especially prestige that this would give organization and also prospect that leadership responsibility would induce British to take more positive attitude. I recognize that there are some risks involved. British might use their position to restrain OEEC initiatives and heavy burdens of Eden and Butler might interfere with personal attention they could give to OEEC. Nonetheless, believe prospective advantages far outweigh these risks.

From conversation we have had we find most OEEC dels prefer British Chairman. It has heretofore been assumed that Butler was most likely British choice for this post but British regard their rep as being primarily Foreign Office responsibility. We are confident that other dels would even more happily welcome Eden as chairman in view of his experience and higher rank.

We all believe it would be most helpful if you could find occasion to assure Eden of US desire he accept chairmanship and urge him to make full use of potentialities of organization.

DRAPER

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[1] Repeated for action to Bonn (for Acheson) and for information to London (for Gifford and Batt). Acheson was in Bonn to attend the signing ceremonies for the Contractual Agreements.

No. 42

Editorial Note

During Acheson's visit to Paris to attend the signing ceremonies of the Treaty Establishing the European Defense Community on May 27, he held several meetings with European leaders including a conversation with Eden on the evening of May 26. During this meeting, Acheson mentioned to Eden the idea of Eden's presidency of the OEEC and indicated that the United States would be pleased if he took it on. According to telegram 7346 from Paris, May 27, Eden said Churchill had been doubtful as to whether or not Eden should take on this additional load, but had agreed. Eden went on to state that he would accept the presidency of the OEEC with the understanding that Butler might substitute for him from time to time. (840.00/5-2752) For documentation concerning the signing ceremonies in Paris and ministerial meetings that accompanied it, see volume V, Part 1, pages 675 ff.

No. 43

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto": Telegram

The Deputy United States Special Representative in Europe (Anderson) to the Mutual Security Agency [1]

CONFIDENTIAL PARIS, June 9, 1952—9 p. m.

Repto 2404. For Kenney, pass Harriman, Perkins, and Draper from Porter.

Fol are some general observations on OEEC ministerial mtg last Fri and Sat: [2]

1. First reaction of European reps with whom we have talked since mtg is one of somewhat surprised relief that EPU problem resolved without several weeks of open crisis, which wld have had disturbing effect on European opinion. Desire of ministers to maintain record of reaching agreement on problems which on eve of mtg had seemed insoluble, beginning with Lisbon and continuing through accords on EDC and German contractuals, probably was effective in moderating earlier positions of Belgs and others. General feeling is that OEEC is now stronger than ever.

2. Election of Eden as chairman (with Butler expected to be frequent alternate) has added to prestige of organization and given further reason to believe Brit are pursuing policy of closer collaboration with continent.

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[1] Repeated to London and pouched to all MSA missions.

[2] June 6-7.

3. At Sat session EPU difficulty was used as occasion for discussion of wider issue economic relations between dollar area and Europe. Aiken, Irish FonMin, suggested EPU be transformed into Atlantic Payments Union. Butler and Van Zeeland gently brushed this aside but stressed need for OEEC in next few months to reach judgment on desirable long-term relationship with US. Butler thought any OEEC observations inappropriate during period of American elections, but that interim suitable time for study and hard thinking. Reexamination of relations with US, he suggested, wld lead to conclusion that way to bridge dollar gap was through trade rather than aid.

4. In response, Draper cordially acknowledged useful suggestions of previous speakers and said that solution wld require major adjustments on both sides of Atlantic. On US side, he felt there was growing recognition that measures are needed to stimulate US investment in Europe and to further open US markets to European goods. OEEC, however, shld not lose sight of major adjustments also required in Europe. Prospects for greater European exports not likely to be realized in large degree until European goods made more competitive in US and other markets. For this reason, among others, we attach great importance to raising levels of productivity and to development of European single market which wld be major incentive to higher productivity. He also noted that more needed to be done to dispense with unnecessary dependence on US, e.g., coal.

5. OEEC mtg has recd major and favorable play in European press. "Remarkable illustration of European solidarity" is typical of comment found in many papers.

ANDERSON

No. 44

840.00/6-952

Foreign Minister Stikker to the Secretary of State [1]

SECRET [THE HAGUE,] June 9, 1952.

DEAR DEAN: You will have heard, that at the Ministerial Council of the O.E.E.C. which met last Saturday in Paris [2] after difficult negotiations agreement between all members was reached about the reserve fund of the E.P.U. and the special position of Belgium. Although this agreement does not solve the fundamental problem of Europe's dollar shortage, it at least enables the O.E.E.C. to carry on its work for another year. Had we not succeeded in reaching this solution the whole system of European cooperation, which is so carefully prepared by the Coal and Steel Community and the European Defense Community would have collapsed. None of the European countries would have been in a position to fulfill its NATO commitments. Therefore I consider this result a major political achievement.

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[1] This message was delivered to the Department of State by a Netherlands Embassy official on June 9; the source text was attached to a memorandum of conversation of that date which briefly noted that the Secretary had received the message.

[2] See the telgram, *supra*.

There is still one problem left which may upset the scheme for the settlement of the outstanding Belgian credit.

Under the scheme Belgium will apply to the International Monetary Fund for the mobilisation of a total amount of fifty million dollars on certain conditions.

Belgium needs the support of other member-countries of the Fund.

At the O.E.E.C. meeting in Paris it was decided that the O.E.E.C. countries would give their support to Belgium at the moment this matter comes up for a decision in the Fund. Ambassador Draper who went back to Washington will have given all the information about this problem and I feel sure that my request that you might look personally into this matter is superfluous. Nevertheless as my last act as outgoing Chairman of the O.E.E.C. I venture to do so because I consider the settlement of this matter as of the highest political importance for Europe.

The support of the United States is the decisive factor, and I trust it will be given. [3]

With kindest regards,

DIRK

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[3] At the Secretary's Staff Meeting on June 12, Martin reported that Draper had given up trying to utilize the International Monetary Fund to meet Belgian needs because of technical problems and that the utilization of the Export-Import Bank was not feasible either. Martin stated that Draper was still working on the proposal and that he felt the Department of State ought to support Draper's conclusions. (Secretary's Memoranda, lot 53 D 444, "June 1952")

No. 45

Editorial Note

On June 16, the Italian Chamber ratified the Schuman Plan completing the efforts by the six participating countries to secure its approval. The Parliament in Luxembourg had ratified the Schuman Plan on May 13, followed by the Belgian Chamber on June 12. For information concerning ratification efforts in France, the Netherlands, and the Federal Republic of Germany, see Document 2. Documentation concerning Schuman Plan ratification is in file 850.33 and in Bruce Mission files, lot 57 M 38, "Ratification."

No. 46

850.33/6–1752: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PARIS, June 17, 1952—6 p. m.

7888. Re para 2 Embtel 7815, June 14. [2] Subject is Schuman Plan and EDC.

1. We have now confirmed that Schuman will probably propose Strasbourg as temporary seat of Schuman Plan institutions pending debate by appropriate European assembly concerning permanent seat of all European insitutions. This action will serve to obtain support of French Socialists and others who strongly endorse Council of Europe resolution on Eden proposal urging that Schuman Plan countries keep larger view of Europe in mind in determining seat of Schuman Plan institutions. Temporary concentration of institutions in Strasbourg will also make possible holding plenary sessions of Schuman Plan assembly at seat of Council of Europe and facilitate attendance of observers from countries wishing to associate themselves with political community in creation of which Schuman Plan assembly might be employed. Extent to which members of Schuman Plan assembly will be the same as dels from Schuman Plan countries to Council of Europe will depend upon whether each country accepts recommendation that Council of Europe members be designated to serve in Schuman Plan assembly. There will of course be some variation caused by differences in sizes of dels to two bodies.

2. British Govt has made *démarche* to FonOff stating that they wish to establish a "mission de liaison" with Schuman Plan institutions. British wish to know importance of individuals who will be designated to Schuman Plan institutions before deciding upon level of individual to lead British dels. French have replied that it will not be possible to provide British with this info until after Ministers have made appointments during their June 23 mtg.

DUNN

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[1] Repeated to London, Bonn, Rome, The Hague, Brussels, and Luxembourg.

[2] Not printed; it reported, in paragraph 2, that the Italians were very alarmed by Schuman's statement to the Italian Ambassador that he would insist that all institutions of the Schuman Plan and the EDC be concentrated in Strasbourg.

No. 47

NAC files, lot 60 D 137, "NAC Minutes"

Minutes of the 195th Meeting of the National Advisory Council on International Monetary and Financial Problems, June 18, 1952

CONFIDENTIAL

Participants:

Secretary John W. Snyder (Chairman), Treasury Department
Mr. Willard L. Thorp, State Department
Mr. Jack C. Corbett, State Department
Mr. J. J. Stenger, State Department
Mr. J. Thomas Schneider, Commerce Department
Mr. Frederick Strauss, Commerce Department
Mr. William McC. Martin, Jr., Board of Governors, Federal Reserve System
Mr. Lewis Dembitz, Board of Governors, Federal Reserve System
Mr. Herbert E. Gaston, Export-Import Bank
Mr. Walter Sauer, Export-Import Bank
Mr. Bernard Bell, Export-Import Bank
Mr. William H. Draper, Jr., Mutual Security Agency (U.S. Special Representative in Europe)
Mr. Hubert Haylik, Mutual Security Agency
Mr. Melville E. Locker, Mutual Security Agency
Mr. Frank A. Southard, Jr., International Monetary Fund
Mr. John S. Hooker, International Bank
Mr. Walter C. Louchheim, Jr., Securities and Exchange Commission
Mr. Andrew N. Overby, Treasury Department
Mr. William W. Parsons, Treasury Department
Mr. Elting Arnold, Treasury Department
Mr. Henry J. Bittermann, Treasury Department
Mr. George Bronz, Treasury Department
Mr. C. Dillon Glendinning (Secretary)
Mr. C. L. Callander (NAC Secretariat)
Mr. Sidney B. Wachtel (NAC Secretariat)
Mr. James W. Wescott (NAC Secretariat)

1. Proposed Belgian Drawing on the Fund

Mr. Glendinning explained that the Council of the OEEC had reached an agreement early in the month on the problem of the Belgian surplus in the EPU.[1] The Belgians had indicated that as a condition of their accepting the agreement, they would have to be able to mobilize $50 million immediately, either through the Fund or through some other outside financial institution. In the event that this amount was made available by the Fund, the Belgians had in mind a $50 million drawing without prejudice to their "gold tranche" drawing right, and waiver by the Fund of the automatic repurchase provisions of the Articles of Agreement. In effect this would amount to a commitment of $106 million.

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[1] For a summary of the OEEC Ministerial Meeting held in Paris June 6–7, see Document 43.

Mr. Glendinning continued that Mr. Southard had indicated (see NAC Document No. 1337 [2]) that this was an unsatisfactory proposal as far as the Fund was concerned, and had suggested an alternative approach to the problem. Under his suggestion, the Belgians would have a right for a period of six months to draw $50 million from the Fund. The drawing right could be extended for additional six-month periods. In return, the Belgians would pay for this drawing right the usual ½ of 1 percent transaction charge at the time of the initial conclusion of the agreement, even if the Belgians should not actually draw from the Fund. If the Belgians should have need of foreign exchange above the $50 million, the Fund would be prepared to consider a Belgian request at any time on the same terms as it is prepared to consider drawing requests from any member of the Fund.

Mr. Draper stated that in the discussions in Paris during the previous week the problems of the extension of the European Payments Union and of dealing with the Belgian surplus were considered very difficult. Very few persons at that time expected that a satisfactory agreement could be reached. The agreement of the Council of the OEEC on extension of the EPU for one year was very important, he observed. Whether or not the EPU is a satisfactory organization, Mr. Draper said, the termination of the EPU at this time would not only have made trade settlements move increasingly toward bilateral arrangements, but would also have tarnished the record of cooperation over the last few months with regard to defense and economic aid. Mr. Draper believed it was largely for these reasons that the Council of the OEEC found ways, through a series of compromises, to reach agreement.

The proposal of a $50 million settlement over five years had been advanced with the thought that it might be possible for Belgium to obtain this amount from the Fund, Mr. Draper explained. He added that he had made it clear that he had no authority to commit the United States to support a Belgian drawing from the Fund, but he had agreed to present the settlement proposal to the U.S. Government for consideration.

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[2] Not printed. A copy of this document, a memorandum from Glendinning to Southard dated June 18 on the subject under discussion, is in NAC files, lot 60 D 137, "NAC Documents".

During the last few days prior to the present meeting of the National Advisory Council, Mr. Draper continued, while Mr. Frere was here with his associates, the negotiations which Mr. Southard carried on were exemplary.

Mr. Draper observed that he understood that there has been some degree of tension between the Fund and the EPU. If this transaction is approved by both the Council of the OEEC and the Fund, it might be the forerunner of closer consultation between the two organizations and perhaps could point the way to a solution of the EPU problem on a broader basis.

The Chairman remarked that it is the desire of the whole NAC to be as constructive as possible.

Mr. Southard asked the Council for some freedom of action in working out in the Fund Board the details of the proposal. He pointed out especially that the point concerning the "usual transactions charge", (see NAC Document No. 1337, p. 2) had not been cleared in the Fund, and that while the Fund's lawyers have no doubts as to the legality of the charge, some other arrangement might be made. The purpose of this proposal is to require a member to pay a fee in cases in which the Fund is being asked to set aside funds. Mr. Southard believed that the only important point is to have a fee so as to deter other countries from "gold tranche" drawings. With the Council's permission, he proposed to work out with the Fund Board the exact details on the commitment fee. He stated that the proposed drawing would be strictly with Belgium's "gold tranche" and subject to the normal repurchase requirements. Mr. Draper added that Belgium would not oppose the fee, because the EPU would in fact pay it.

Mr. Schneider observed that he had received an inquiry several days ago from the Associated Press. According to this inquiry, the AP had heard in Europe that this proposal would be acceptable to everyone in the American Government except the Secretary of Commerce. Mr. Southard commented that when the newsmen contacted him, they said that they understood that the Secretary of the Treasury was the only one opposing the proposal.

Mr. Draper suggested it might be well to raise the question of publicity at the right time. Mr. Southard said he preferred to let Mr. Rooth release the story. This was agreed to, and the Council authorized Mr. Southard so to state in the Fund Executive Board.

Mr. Thorp observed that, in connection with this item, Mr. Southard and the Fund might take the opportunity of concerning themselves with the EPU more than they have in the past. The Chairman remarked that this has been the desire of the Fund from the very beginning, with respect to both EPU and OEEC.

In passing, Mr. Draper indicated that the British Chancellor of the Exchequer, Mr. Butler, has made a splendid impression at the OEEC meetings. Up to a few months ago, it was feared that the British would undercut the OEEC in favor of NATO. However, Mr. Butler has told the OEEC that the United Kingdom would play its proper role in the OEEC. Mr. Draper added that Mr. Butler had helped greatly in working out the EPU settlement.

Without further discussion, the Council approved the proposed position of the U.S. Executive Director in the Fund on the Belgian drawing.[3]

Action: The following action was taken (Action No. 557):

The National Advisory Council authorizes the U.S. Executive Director of the International Monetary Fund to support a decision in the Fund on a Belgian proposal for a Fund drawing along the lines set forth on page 2 of the NAC Document No. 1337.

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[3] During the Secretary's Staff Meeting on June 19, Thorp reported that the problem involving the EPU had been settled and that the International Monetary Fund had taken action which would make funds available to Belgium. Perkins stated that this solution was a good one and that the Belgians should be commended for their reasonableness in this settlement. (Secretary's Memoranda, lot 53 D 444, "June 1952")

No. 48

Camp files, lot 55 D 105, "Schuman Plan—1952"

Memorandum by the Acting Director of the Office of European Regional Affairs (Parsons) to the Assistant Secretary of State for European Affairs (Perkins) [1]

CONFIDENTIAL [WASHINGTON,] June 20, 1952.

Subject: U.S. Relationship to the Schuman Plan

1. There has been no decision as yet on the nature of U.S. representation at the seat of the Schuman Plan High Authority, the location of which has not been decided. The Department believes that it would be useful to have a U.S. official stationed at the seat of the High Authority to observe and report on developments, but that this official should have no formal relationship to the Coal and Steel Community or its institutions. His position would, therefore, be comparable to that of the U.S. Consul at Strasbourg, for example, rather than to our representatives at the OEEC.

Representation of this type would keep the U.S. informed of Schuman Plan developments, avoid the suggestion of U.S. domination of the institution or financial responsibility for it, and would permit us easily to modify the relationship if the development of the Communities' activities made modification desirable. It is uncertain at this time what kind of relationship will evolve between the Coal and Steel Community and outside countries, and we would not consider it desirable or necessary to attempt to settle this question in a formal way at this time.

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[1] Drafted by Boochever.

The British have now indicated to the French their desire to establish a "mission de liaison" with Schuman Plan institutions. It is not clear how this "mission" would function or the level of representation which the British may be contemplating.

2. With respect to arrangements within the U.S. government to provide representation of this sort, the Department would like to have communications channeled directly from the U.S. "observer" to Washington, with copies simultaneously to SRE and to interested embassies as appropriate. This arrangement is not incompatible with the centering in SRE of field responsibility for relations with the Schuman Plan and is, in fact, the same as that now in existence on communications from our ECE delegation. (It is contemplated that there would be differences, however, in the type of representation at Geneva and at the seat of the Schuman Plan Authority. Ambassador Draper is nominally at least head of an ECE delegation whereas the arrangements herein contemplated would not provide for a formal delegation or a formal relationship to the Schuman Plan).

3. Within SRE, the assignment of responsibility for Schuman Plan backstopping has not been determined but it appears from the cable [2] that Mr. Draper envisages his Office of Economic Affairs under Mr. Porter as performing at least the major part of this task. The Department would not wish overall responsibility for Schuman Plan matters to be assigned to the Economic Affairs side of SRE. We would also like to have it established that Schuman Plan economic work, except when specifically concerned with U.S. aid or the Mutual Security Program should not be considered an MSA/E function, even though it is performed in the Office of Economic Affairs. Such problems as the relationship of the Schuman Plan to GATT and the other commercial policy considerations are examples of economic matters which should not be an MSA responsibility. Responsibility for the whole gamut of political problems which will arise should similarly not be assigned to MSA abroad.

If it is desired to centralize Schuman Plan responsibility within SRE, one solution might be to assign this function to an individual outside of the Office of Economic Affairs or of the staff of the Political Adviser and responsible directly to Ambassador Draper.

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[2] Not further identified.

4. The Schuman Plan problems with which the U.S. will initially be concerned are:

(a) The degree to which the European coal and steel industry under the Schuman Plan moves in the direction of a cartelized system of production and distribution or towards the type of competitive market contemplated in the Treaty.

(b) The relationship of the Community to outside countries on such matters as tariff and quantitative restrictions. The Schuman Plan countries are expected to apply for a waiver of various GATT obligations which they now accept, to permit them to lower trade barriers among themselves without applying similar reductions to the imports of other GATT countries.

(c) The desirability and nature of U.S. aid to the Schuman Plan. It is not certain as yet in what way financial assistance would be used by the High Authority, but is probable that any dollar requirements would be very small. Within MSA, some thought is being given to a U.S. contribution, which could be be made in local currencies or EPU units, in order to indicate firm U.S. support for the Plan, to strengthen the Community's ability to borrow funds in Europe, and especially to enable the U.S., through the leverage of this aid to "influence" policy decisions along sound lines. The Department wishes to examine more carefully the real need for U.S. assistance, and is inclined to oppose the development of U.S. control over Schuman Plan operations, based on a U.S. financial contribution. We fear that the existing U.S.-European aid relationship is leading to increased resentment against the U.S. and at the same time creating an excessive reliance on the U.S.

5. The person selected for the U.S. representation at the seat of the High Authority should preferably be someone who, in addition to the other qualifications, is familiar with the problem of European cartels and restrictive arrangements, has had experience in combatting such arrangements, and is fully acquainted with problems of U.S. and international commercial policy. He should also be familiar with the background and development of the Schuman Plan. A separate memorandum gives you the name of an individual whom RA favors. [3]

6. Various locations have been suggested for the seat of the Schuman Plan High Authority. Among the places mentioned prominently have been Paris, Strasbourg and Saarbrucken. Latest information is that Germany considers Paris completely unacceptable, prefers Saarbrucken, but would accept Strasbourg. Schuman will probably propose Strasbourg as the temporary seat of the Schuman

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[3] The person recommended by the Office of European Regional Affairs was Raymond Vernon, who was the current Deputy Director of the Office of Economic Defense and Trade Policy. (Memorandum by Parsons, June 20; Camp files, lot 55 D 105, "Schuman Plan—1952")

Plan institutions, pending further European debate on a permanent seat for all European institutions.

If Strasbourg should be decided upon, as seems possible, a problem might arise in the relationship of the Schuman Plan observer to the U.S. Consul at Strasbourg, particularly if a senior U.S. official should be chosen for the former position.

No. 49

840.00/6-952

The Secretary of State to Foreign Minister Stikker [1]

SECRET WASHINGTON, June 21, 1952.

DEAR DIRK: I am grateful for your letter which was handed to me on June 9 [2] regarding the agreement reached at the Ministerial Council of the OEEC on the reserve fund of the EPU and the special position of Belgium. I realize how difficult these negotiations must have been and send my congratulations on bringing the negotiations so far along the path to a successful conclusion.

I am happy to learn that a satisfactory arrangement has been reached between Belgium and the International Monetary Fund which will make possible the EPU settlement with Belgium approved by the OEEC Council of Ministers.

Sincerely yours,

DEAN ACHESON

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[1] Drafted by Spaulding and Meloy.

[2] Document 44.

No. 50

850.33/6-2252: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PARIS, June 22, 1952—3 p. m.

8021. Re Embtel 7888, June 17, 1952. [2] Subject is Schuman Plan and EDC.

We understand interested Mins of six countries are indirectly in contact on question of creation of common polit auth in anticipation of their mtg now postponed to first week of July. Spaak, in particular, has been very active as a go-between with FedRep, Italy and France. Other countries apparently look to Schuman to take initiative, but it is possible that Schuman may not go as far as FedRep and Italians are now willing to go. Current discussions and indirect exchanges of views center on fol four related points:

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[1] Repeated to London, Bonn, The Hague, Brussels, Rome, and Luxembourg.

[2] Document 46.

1. Council of Eur resolution adopted at last Strasbourg mtg [3] recommends that either Schuman Plan Assembly or Council of Eur Assembly itself proceed to take further step towards polit unification. It appears to be generally agreed among six Schuman Plan countries that Schuman Plan Mins shld definitely decide that Schuman Plan Assembly, which will also be Assembly of EDC, shld be the one to act rather than Council of Eur Assembly.

First, importance is attached, on the one hand, to speed efforts toward creation of supranational polit institution to exercise authority over coal and steel and defense communities; this will go long way toward meeting criticism, made especially in France, that EDC means creation of an army freed of effective polit control. On the other hand, it is deemed imperative that moves toward creation of polit auth be closely associated with Schuman Plan and EDC and appear to follow as logical third step made possible by first two; in this way it is sought to defeat any tendency to use moves toward polit unity as pretext to delay or avoid ratification of EDC (on theory that EDC unnecessary, since complete integration about to be achieved). It is for these two reasons that it is desired to employ Schuman Plan-EDC Assembly rather than Council of Eur. All these considerations are in line with Pleven's recent remarks, see Embtel 7974.[4] It is clear that if wisely handled, initiative for polit unity can ensure quick EDC ratification; if bungled it could endanger prospects.

According to Cavaletti, senior Ital EDC delegate now in Paris and deputy chief Ital del, Schuman and Ital Amb have agreed that Alphand and Cavaletti wld advise other EDC dels at June 24 mtg of EDC Interim Comite of Franco-Ital position along above lines and intention to discuss matter at Mins mtg in first week of July.

Efforts of Boothby and other Brit dels to Council of Eur Assembly to have problems of polit unification discussed not by Schuman Plan Assembly but by all Council of Eur countries, each having equal voice, is suspected by Spinelli, Secy Gen of Eur Union of Federalists, to whom we have talked, and by others, as effort actually to prevent further integration among Schuman Plan countries. Spinelli points out that if Council of Eur is to be forum in which work is to start, not only will there be no concrete results because of inability of countries such as UK really to participate, but suggestions will inevitably be made for watering down even of Schuman Plan and EDC in order to attempt once more to secure Brit participation. This wld be pointless and wld be bound at very least to subject EDC ratification to long delay. Monnet and Alphand point out further, in same sense, that in Council of Europe framework, Greeks and Turks may evince interest in joining polit community. Any community with such wide membership at this time cld clearly have no more than a weak and artificial character; discussion of it wld serve to delay work on the real thing.

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[3] This is a reference to the resolution adopted on May 30 by the Consultative Assembly of the Council of Europe; for information concerning this resolution and the Fourth Ordinary Session (First Part) of the Consultative Assembly, see Document 38.

[4] Not printed; it informed the Department of State of a statement made by Pleven and quoted in the *Le Figaro* issue of June 19 following the National Assembly's approval of the government's military budget. (740.5/6-1952)

Finally, Monnet, in arguing for Schuman Plan rather than Council of Eur Assembly, points out that in latter question of representation for Saar wld be met at the threshold. In former that question is solved in a serviceable manner.

2. Spinelli and Spaak are anxious that Schuman Plan Assembly, in doing its work with a view to polit unification, be required by its terms of ref to keep its eye on the ball and that it conclude by recommending to govts an actual draft instrument of unification, ready to be acted upon. In this way they hope to avoid inconclusive results and adoption merely of broad general resolutions exuding good will and nothing else. They are anxious that no action be taken in implementation of Section 1(c), article 38 of EDC treaty, which deals with revising structure of EDC institutions; they fear such action wld encourage postponement EDC ratification on theory EDC being changed anyway. Monnet and Alphand are aware of this problem.

3. Monnet tells us that Brit Govt has asked Schuman Plan Mins to express views on UK proposals submitted to Council Eur concerning Brit relations with coal and steel community. Fr in particular, really desire that close association be worked out both because of substantive benefits and because they feel that close association with UK will serve to attract Socialist support for Schuman Plan and for EDC ratification. Monnet, however, considers Brit proposals in their present form to be unworkable. Moreover, he agrees with Ger and Ital position that association with UK must be on completely reciprocal basis and not interfere with necessity for Eur community to have clearly independent administrative organization of its own. There is general agreement that it is impossible to give Brit voice in Schuman Plan and EDC governing bodies while Brit maintain complete sovereignty in areas in which member states have ceded portions of theirs to these governing bodies.

Hayter, Brit Min Paris, raised question of Brit association with Schuman Plan with Monnet who replied that before formalizing association, there shld be an understanding with Brit on common objectives to be obtained by association and study of ways to achieve it. According to Monnet, Hayter said that his govt wld probably prefer to do this after high authority is organized rather than prior to Mins mtg. Monnet agreed, but there may be further informal discussion with the Brit on this question next week.

Monnet is also anxious to bring up organizational relationship for cooperation with US and Canada. His point is that Eur community cannot exist with solely Eur ties, it must develop in larger framework of NATO. This Monnet believes work of NATO. This Monnet believes, is further illustration of inadequacy of Council of Eur as vehicle toward further unification of Schuman Plan-EDC countries. We tend to agree with Hayter's view that it wld be preferable to postpone final decision on US organizational relationship with Schuman Plan until after high authority is established, location of institutions is decided, and responsibilities to be given to Schuman Plan institutions are known.

4. In view of Ger opposition to Paris and of desire to demonstrate to Fr Socialists that Fr wishes the community to be associated closely with other countries in Council of Eur, Fr will probably propose Strasbourg as temporary site of Schuman Plan institutions. However, nearly everyone seems to be unhappy about this solution. It is pointed out that building space, housing, press facilities and air transport are not adequate. Moreover, even Council of Eur only meets in Strasbourg a few days each year and sub-comites usually come to Paris in order to perform their tasks. It is also mentioned that EDC commissariat, at least, must be in Paris, because of SHAPE; and desirability of creating polit Eur community within framework of, and in close association with, Atlantic argues for establishment of capital of polit community close to NATO site in Paris.

DUNN

No. 51

740.00/6-2752: Telegram

The Chargé in France (Achilles) to the Department of State [1]

TOP SECRET PRIORITY PARIS, June 27, 1952—7 p. m.

8153. Subject is European Pol Community. Re Embtel 8021, June 22.[2]

1. Prior Schuman's departure for London, French Cabinet approved instrs to Pinay, Schuman and Pleven to obtain agmt of five other Schuman Plan countries to initiate work on creation of a common Eur pol auth. Details are not completely settled but plans now being discussed wld handle proposal in fol manner:

a. Fon Mins of six countries wld give Schuman Plan Assembly a mandate to draft a treaty creating a Eur pol community. This Assembly cld be set up toward end of Aug. Each Parliament wld elect national dels from its own membership. Mins wld recommend that dels be same as those sent to the Council of Eur. For purpose of drafting this treaty, size of Schuman Plan Assembly wld be increased to number of reps foreseen for EDC Assembly (three more each for France, Ger and Italy).

b. In accordance with Council of Eur resolution, observers wld be invited from the other member countries of Council of Eur to attend these debates of Schuman Plan Assembly.

c. Draft treaty to be prepared by Schuman Plan Assembly would be submitted as soon as possible for approval and signature of govts and for subsequent approval by Parliaments of the six countries.

d. Draft treaty would complete the Eur pol structure by providing a common Parliament, a common exec, and a common court. Common Parliament wld be composed of two chambers. First wld be made up of reps of the natl parliaments (presumably it wld be continuation of Schuman Plan Assembly); second would be elected directly by universal suffrage. Eur exec or president wld initially have auth at least over coal and steel community and defense community. French apparently consider it good tactics to keep initial proposal very simple and as noncontroversial as possible, leaving it to Schuman Plan Assembly to press for expansion of initial powers into finance and other fields. Draft treaty would also propose the capital for the United States of Europe.

e. An immed objective of Fr initiative will be to obtain direct election of a Eur Parliament some time in 1953 before the elections in German FedRep.

2. Schuman may consult Eden on this proposal during his visit to London. It is important to success of initiative that full Brit support be made very clear. Brit support is expected, but situation has

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[1] Repeated to London eyes only for Gifford and Perkins and to Bonn eyes only for McCloy.

[2] *Supra.*

been confused because of proposal at Strasbourg that task of working out pol community be entrusted to a portion of Council of Eur Assembly and take place within Council of Eur framework. Adoption this proposal wld entail fol risks:

a. One or more member countries of Council of Eur which are not members of Schuman Plan or EDC might decide suddenly to shift from inactive observer status to full participation in pol auth; under Council of Eur framework, they could do this without joining Schuman Plan or EDC. Resultant confusion might seriously delay ratificaton EDC and leave pol status of Ger undecided for long time to come.

b. Use of Council of Eur framework, where Brit are full members, might lead to renewed pressure for full Brit participation in Eur pol auth rather than simply close assoc with it. (Such pressure much less likely in Schuman Plan Assembly, where Brit would clearly be observing from outside.) Inevitable Brit resistance to such pressure would again lead to accusations that Brit were sabotaging continental efforts toward union. Resultant polemics would tend delay EDC ratification and might drive French Socialists at least into opposition to EDC.

c. Saar problem would be raised in the most unfortunate fashion. Saar reps situation as separate del in Council of Eur Assembly, fact which has been a constant irritant to Gers in their relations with Council. If this Assembly should be given task of drafting treaty, Gers would be forced to object to Saar participation on separate basis; this would raise question of Saar status in Council of Eur and open up the whole problem. In the Schuman Plan Assembly the French and Gers have agreed that the Saar should be represented not separately but within the French delegation, so problem would be much less likely to arise.

Cavaletti informed private mtg of EDC del heads that Ital Govt wished to discuss at forthcoming Schuman Plan Mins mtg giving Schuman Plan Assembly responsibility in connection with creation Eur pol community. According to Cavaletti, Blank told him that German Cabinet had considered the question and decided to insist that Schuman Plan Assembly and not Council of Europe be given this responsibility.

3. Adenauer has asked that mtg of Schuman Plan Mins be postponed again until July 12. His plans on presentation of EDC treaty and contractuals to Bundestag have been delayed until July 9 and prevent his leaving Germany until then. It is very important that this mtg not be postponed again: If time not allowed for the Parliaments to elect their members for the Schuman Plan Assembly before summer vacations there may be an unavoidable delay in implementation of Schuman Plan.

4. Please limit distribution because we understand details proposal para 1 at present known only to limited number top ranking French officials.

Achilles

No. 52

740.00/7-352: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State [1]

SECRET LONDON, July 3, 1952—7 p. m.

68. With ref to immediately preceding tel,[2] FonOff advises that Schuman informed Eden last Friday that Fr wished to use Schuman Plan assembly as vehicle for preparation of Eur polit auth and requested a statement of Brit views. Subj now under consideration at FonOff and Hayter coming to London for July 4 to participate. FonOff rep anticipates reply will be that in Brit view Fr are trying to move too far too fast and that formation of supranatl polit institutions shld await development of experience with Schuman Plan and EDC. Reply will also say that it is matter for Fr to determine as to whether they shld seek to use Schuman Plan assembly as vehicle, but if this is their intention it is hope of Brit that in some manner the exercise can be brought under the aegis of the C of E. When queried, FonOff rep (Hood) expressed opinion that intention attributed to Schuman in *Observer* article, of creating confederation consisting of Schuman Plan participants, cld not be effectively carried out if Schuman Plan assembly were subordinated to C of E for this purpose.

FonOff rep also stated that Schuman wished participation of "others". When asked if "others" were specified he replied in negative. When asked as to nature of participation Schuman contemplated, whether it were participation in preparation of plans for polit institutions or participation in institutions themselves, reply was rather vaguely to effect that it seemed to be a little of both. At one point in conv Hood said that Schuman wished US and UK participation. He assented to an observation that US and UK participation, or participation of "others" unless limited to other West Eur countries, implied polit arrangement of a looser character than continental federation or confederation. He referred to a letter written by Monnet in which Monnet spoke of importance of proceeding without delay so that it might be possible to hold "Eur elections" next year. In response to a question Hood agreed that there apparently was some difference between Schuman's and Monnet's concepts of form polit institutions shld take. In this connection, he stated that Massigli had "called again" FonOff yesterday indicating that there has been a fairly active exchange of views with the Fr during the week with possibility that there may have been some alteration in concept which Schuman has been putting forward to accommodate Brit views.

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[1] Repeated to Bonn and Paris.

[2] Not printed; it reported to the Department of State that the article which appeared in the London *Observer* on Sunday, June 29, concerning Eden's discouragement of the Schuman proposals for continental political federation, was written by William Clarke. It also quoted parts of an article which appeared in the *Manchester Guardian* of July 3 concerning Foreign Office review of the Schuman proposals. (740.00/7-352)

FonOff observes that definitive reply will be given to Fr after tomorrow's mtg in which Hayter will participate.

FonOff rep attributed Clarke's story in Sunday *Observer* to Fr Emb.

Hood stated that Schuman had handed him a "Piece of paper", indicating what Fr had in mind, which consisted only of four sentences, but that when Schuman-Eden conv took place Friday evening latter had not been given copy of paper. Conv therefore based on Schuman's oral statement of proposals. Hood did not offer to show copy Schuman's paper to Emb's rep.

GIFFORD

No. 53

740.00/7-352: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

CONFIDENTIAL PARIS, July 3, 1952—9 p. m.

108. Altho significance is as yet difficult to assess, we find it noteworthy that Fr Govt's initiative for creation of Eur polit authority is being applauded not only by advocates of EDC and of supra-natl authorities but also by opponents of EDC. While the former see govt's initiative as important step smoothing way for EDC ratification, latter consider it as possible means to defer consideration and thus perhaps to defeat EDC. Pinay himself seems willing to enlist the support of both tendencies. As Dept is aware, he has not yet made strong public statement in favor of EDC.

It is noteworthy for instance that Pinay's recent UP interview as reported by *Le Monde* (Embtel 24, August [*July*] 1 [2]) ended with observation the "Eur org will be far surer way to preserve peace than the equipment of an army, no matter how strong such army may be". Instead of linking creation of Eur polit majority with EDC, he thus appeared anxious to divorce it from one more controversial subj. (Korry of UP, who interviewed Pinay, tells us, however, that he found Pinay not hostile toward EDC but glad that it was Schuman Plan assembly, as econ rather than mil body, that was being proposed for preparation of Eur federation.)

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[1] Repeated to London and Bonn.

[2] Not printed; it transmitted excerpts of the exclusive United Press interview with Pinay published in the June 30 issue of *Le Monde* to the Department of State. (740.00/7-152)

As reported Embtel 7992, June 20,[3] Pinay is maneuvering at present to extend the base of his govt to include dissident Gaullists, whose outright defection from RPF he would like to encourage. One of principal Gaullist arguments against EDC has been that it puts cart before horse and that it should be preceded by Eur federation. Superficially, therefore, Gaullists might reconcile themselves to EDC after Eur polit authority is created. Actually, however, Gaullists envisaged not federation but "confederation" (i.e., looser org of states) and would by all appearances oppose full integration of mil forces even after creation of Eur polit authority.[3]

Thus, while govt's initiative re Eur federation is helpful to EDC ratification sitn, it conceals and glosses over some fundamental differences between govt and opposition elements:

(1) Pinay seems content to let Gaullist dissidents believe govt has made a substantive concession to them.

(2) Nationalist opponents of EDC are nurturing new hope issue may be postponed and EDC defeated or watered down as consequence of creation Eur authority.

(3) RPF tends to believe EDC is becoming less important obstacle to conversation between themselves and MRP and Socialists in eventual govt succeeding Pinay. While there is no reason to believe any of these beliefs are correct, there is evidence in any event that they exist:

> Re (1), as pointed out Embtel 7992, Pleven gave Billotte, leading Gaullist dissident, impression that govt was making him concession when he predicted govt would push ahead vigorously with re to establishment Eur political authority, "a point on which, it seems to me, many of those who up to now have adopted differing positions can meet on common ground." Actually govt took step which it would have taken in any event pursuant to Assembly Fon Affairs Comite motion of June 4 (Embtel 7633, June 6[4]).
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> Re (2), such opponents of EDC as Genevieve Tabouis in *L'Information* hailed Pleven–Billotte exchange as evidence of "possibility that our natl mil sovereignty may be preserved". Tabouis, who also consistently interprets Pinay's speeches as indicating gradual shift away from fon policy of his predecessors,

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[3] Not printed; it reported on Pleven's speech to the French National Assembly on June 18 which seemed to indicate an attempt at *rapprochement* between government supporters and RPF dissenters. (740.5/6–2052)

[4] Not printed; it reported that the Foreign Affairs Committee of the French National Assembly approved a motion calling upon the government to assure earliest possible implementation of the Council of Europe decisions concerning the creation of a European political authority. (740.5/6–652)

> claimed June 27 that govt was proposing Eur polit "confederation" as sop to US and also to gain time until both EDC and federation are "overtaken by events". No evidence, however, that govt will propose only loose polit "confederation".
>
> Re (3), in recent interview with Emb officer, we found Terrenoire, Sec Gen of RPF, quite hopeful that EDC would be submerged in larger quest of Eur Federation and that consequently difficulties of eventual coalition between RPF (minus its right wing) and leftist parties had lessened. Although Terrenoire took usual Gaullist position that Eur authority must come before Eur army, he made it clear once again that RPF wld never support integrated ("rootless") force. There is no evidence as matter of fact of any likelihood of agreement on EDC between RPF and leftist parties.

Above is quite tenuous and evidence more of illusions deliberately fostered and entertained than of real polit trend. We report it principally because press is likely to point to delight of opponents of EDC over Pinay's interview and speeches. Eur integration is evidence govt is receding from EDC. Until there is more convincing evidence, however, we believe Pinay is merely playing down differences between himself and Gaullist dissidents in order to encourage split in RPF, and that he continues reluctant to give public endorsement to EDC until he is sure ratification battle must be joined and can be won. Meanwhile govt is taking such measures as it can to improve its position when it comes to ratification debate, and move for Eur polit authority will be one such measure.

Fact that Pinay has not unequivocally come out in favor of EDC encourages reports that he is secretly bent upon sabotaging it. We continue to receive such reports and shall continue to analyze them most carefully. We are also watching for signs of any attempt to use concept of Eur federation as pretext for delay in establishment of [EDC,?] almost invariably based upon evidence supplied by opponents of EDC. Proponents do not seem worried and are in fact very pleased by govt initiative for Eur federation.

DUNN

No. 54

740.00/7-552: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State [1]

SECRET PRIORITY LONDON, July 5, 1952—2 p. m.

77. Re Embtels 67 [2] and 68, [3] July 3.

Hood head of Western Organization Dept, FonOff has shown EmbOff translation Fr memo of June 27 and rough drafts of reply to Fr and covering memo to Eden which have been cleared "at working level".

Fr memo briefly indicated that Fr propose to use Schuman Plan Assembly to undertake task of creating supra-national political authority and "that any existing or future community should be subordinated to it" meaning, according to Hood, coal and steel and defense communities and such possible future communities as agricultural. Hood indicated, as above implies that Fr do not explicitly contemplate that whole panoply of powers of a central government shall be conferred at one stroke on political authority, but that Monnet seems to be thinking primarily of taxation. Hood added that control over foreign affairs would necessarily come next. Memo stated that other members Council of Europe to be invited "under conditions to be determined." Hood added that now Monnet's idea is for Schuman Plan six to get together without too many others except United States and UK in on study. Memo also mentioned participation in study by ministers of six countries.

Draft reply in substance makes three points that: (a) study by Schuman Plan Assembly shall be within "framework of Council of Europe", (b) it shall be "in harmony with Eden proposals for Council of Europe," and (c) to this end Brit urge that six ministers at meeting July 12 accept Eden proposals and put them immediately into effect by setting up Schuman Plan Assembly "from outset within framework of Council of Europe."

Two page draft covering memo says "Schuman made it clear that it wld be contrary to Fr ideas for six to proceed to set up political authority on their own;" that best means of assuring close UK assoc with evolution of political auth wld be early decision by French and partners to accept Eden Council of Europe proposals and give them immediate effect so that from outset Strasbourg Assembly sitting in restricted session will serve as Assembly of Schuman Plan.

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[1] Repeated to Paris and Bonn.

[2] See footnote 2, Document 52.

[3] Document 52.

Memo said Hayter considered Fr motives to be strategic, to weld Ger into Western Europe and tactical, to disarm Fr Socialists and RPF.

Memo stated main objection to Fr proposals was that they were premature and that it was doubtful to what extent public opinion in six countries was prepared for this major development. In this connection memo did not differentiate between proposals for initiating a study which wld presumably be one of best ways to prepare public opinion for ultimate action and substantive action proposals which study might recommend, but said that any attempt to discourage study bound to be misunderstood in United States and on continent.

Only one sentence in memo dealt with effect on Brit interests: "our interest lies in ensuring that the political auth is developed within the framework of an organization in which we play a full and active part." Hood acknowledged that if political auth created and carried to logical development with Brit assent wld constitute reversal of Brit policy of centuries brought about by new world power situation resulting from last war. He acknowledged acute Brit concern at possibility of development of new power across channel of magnitude which wld overshadow UK. In connection with United States interest in developing continental federation, he commented that it had in effect some of aspects of creating by design what United States had fought two world wars to prevent. In reponse to direct question he expressed opinion without appearance of conviction that UK wld assent to such development. He did not respond to speculative comment that there might well be considerable sentiment for keeping any new arrangements on continent as loose as possible. Though above considerations not mentioned in draft memo to Eden, EmbOff gained impression they are being carefully and prayerfully weighed.

Hood said Fr do not expect Brit reply before end of next week, but FonOff hopes to get it out Tuesday or Wednesday and in any event in time for Ministers mtg July 12. He said did not know if Fr had presented their proposals to United States or when they intended to do so.

GIFFORD

No. 55

740.00/7-752: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State [1]

SECRET PRIORITY LONDON, July 7, 1952—6 p. m.

97. Final form of covering memo which went to Eden with proposed Brit reply to Fr re Schuman proposals for Eur polit authority (Embtel 77, July 5 [2]) contained para to fol effect:

> "Schuman proposal presents this govt with some grave questions, particularly whether it is to the Brit interest to encourage the development of a powerful Eur state which might well become Ger-dominated, and whether Eur opinion is really ripe for such a venture. It has been Brit policy to encourage Eur integration in the belief that a Eur state which for some time at least will suffer from internal weaknesses owing to Fr-Ger rivalries wld not represent a menace to these islands".

Memo goes on to say that "to oppose a Eur polit auth wld certainly earn us great unpopularity in Eur and the US" and adds the recommendation that Brit policy shld "try to ensure that it develops in a spirit friendly to us and in a form which permits close association with us".

In response to question FonOff rep said that "form which permits close association with us" not intended to imply any particular form whether federal, confederal, or something looser.

With respect to statement noted reftel that Fr proposal "premature," FonOff rep said that this referred to substantive proposal for creating Eur polit auth and not to proposal for studying ways and means to bring polit auth into existence and form which it shld take. [3]

GIFFORD

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[1] Repeated to Bonn and Paris.

[2] *Supra.*

[3] According to telegram 183 from London, July 11, the Embassy informed the Department of State that the British Foreign Office had delivered its reply to the Schuman proposals and that the reply was in the sense indicated by telegrams 68, 77, and 97 from London, Documents 52, 54, and 55, respectively.

No. 56

740.00/7-952

Memorandum by the Acting Deputy Director of the Office of Western European Affairs (Knight) to the Deputy Director of the Office of European Regional Affairs (Parsons)

SECRET WASHINGTON, July 9, 1952.

Subject: French Proposal to Set Up a European Political Authority

Just in case I do not have the opportunity to discuss this problem with you before I go off on leave at the end of this week, I would like to mention my concern over the possibility that we may be "drifting" in connection with the French proposal to set up a European political authority. As you may remember from the time when we discussed this problem in the Steering Group before the Secretary's trip to Bonn and Paris, [1] I was then worried that the so-called Eden Plan to bring the Schuman Plan and EDC institutions within the framework of the Council of Europe might act as a deterrent to the development of strong, vigorous six-nation institutions. Indeed, the close connection of various groups of institutions will tend to result in the lowest common denominator of effectiveness and of real power.

The foreign office memorandum to Eden transmitting to him the French memorandum further increases my fears, as this memorandum seems to be a candid acknowledgement that the British aim is to deter the creation of a strong unified political unit on the continent which might conceivably constitute a threat for the UK in the foreseeable future.

I believe that about a year ago we definitely crossed the bridge as to whether we would allow ourselves to be deterred by this potential danger and that the definite conclusion was that we should not allow ourselves to be so restrained in our support of a real European federation even though the membership be restricted and even though there was the possibility that Germany might eventually become in fact the dominating element therein.

If the above is correct, I think that we should review our present position in relation to the so-called Eden proposal because our support thereof would appear to be in contradiction with our basic position as outlined above. If there is any disagreement, I think we should push for re-examination of this entire problem and as quickly as possible arrive at a firm Department position. While we are all agreed as to the necessity of tying in the EDC, etc., within a larger framework, there probably is some disagreement as to the extent thereof as a precondition to pushing ahead with the implementation of the continental unit.

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[1] The Steering Group under reference was formed in order to prepare background papers for Acheson's meetings with European leaders during his May 1952 trip to Bonn for the signing of the Contractual Agreements and to Paris for the signing of the Treaty Establishing a European Defense Community. The series of background papers drafted by the Steering Group are in Conference files, lot 59 D 95, CF 108–110.

To repeat myself, I am basically afraid that by coasting along with the Eden proposal we may be maneuvering ourselves in a position in which we could no longer vigorously support the creation on the continent of a strong political federation without the UK. The latter feature is, of course, not a desirable one but does not depend on us.

No. 57

850.33/7-1052

Memorandum by the Acting Deputy Director of the Office of Western European Affairs (Knight) to the Deputy Director of the Office of European Regional Affairs (Parsons) [1]

SECRET WASHINGTON, July 10, 1952.

Paris telegram 219 of July 9, [2] reporting on the interim committee of the Schuman Plan meeting in Brussels, reported that four cities have presented their candidacies for the Schuman Plan capital: Strasbourg, Luxembourg, Liege and The Hague. It is further mentioned that on-the-spot surveys will be made of the facilities available in these four cities and that a report will be submitted to the Ministers at their next meeting.

At the same time, our draft US–UK agreed position on the Saar, which, I understand, is pretty well firmed up, gives as the first principle underlying a lasting settlement of the Saar question: "The Saar should become, as far as possible, the permanent seat of various projected European authorities, especially those of the Schuman Plan".

Personally, I am tempted to believe that this will remain a desired goal and little more than that. Indeed, it is agreed that the Schuman Plan institutions must, so far as possible, be one and the same for the EDC; the EDC, for practical purposes, must have its headquarters in the same area as those of NATO and the latter must be close to the seat of the OEEC. Consequently, in view of these interconnections, it looks as if, in the final analysis, all these headquarters, bodies and institutions will have to be in the Paris area. Of course, an organization such as the High Court would not have to be in the same general area, but here again I understand that thoughts are solidifying in favor of The Hague. Even though as a result of the above, it looks as if the Saar, no more than the four cities mentioned, will become the seat of these institutions, I believe, in order to be consistent with our position, we should cable Paris, and perhaps the other Schuman Plan country capitals, with a view to their taking such steps as to keep Saarbruech in the running as a possibility.

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[1] Copies were also sent to Bonbright, Martin, Camp, and Byington.

[2] Not printed; it reported on the work of the Interim Committee which met in Brussels to prepare for the ministerial meetings scheduled for late July. (850.33/7-952)

No. 58

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto": Telegram

The United States Special Representative in Europe (Draper) to the Mutual Security Agency

CONFIDENTIAL PARIS, July 11, 1952—9 p.m.

Repto 113. Cotel. Subj: US policy toward Eur Coal and Steel Community.

Early inauguration Eur Coal and Steel Community will present US with certain policy questions, on which SRE recommends fol US position:

1. General principles.

(A) US has stake in success of community because of its important politico-econ-milit relationship to wide range of problems extending considerably beyond political and econ aspects of the community itself. Caliber proposed appointments to High Auth reported so far indicates keen awareness by member govts of necessity that High Auth operations be conducted against background this broader polit reality. US policy toward community in gen, but also toward specific community operations and problems as they develop, must also start with this fact.

(B) Believe US shld firmly support econ integration aims underlying Eur Coal and Steel Community and cooperate wherever possible in achieving objective free market coal and steel within community.

(C) At same time US shld urge extension of free market policies these products to embrace countries outside community.

(D) Spirit of support shld be cordial but without encroaching upon initiative of community and without permitting members fall into attitude success depends on US. We regard sound development community and wide public acceptance more likely achieved by vitality and resourcefulness own members in attaining treaty objectives than by reliance on US.

(E) US shld support effective implementation anti-cartel provisions of treaty and be alert to possible High Auth policies which might adversely affect free market and econ liberalization aims set out in treaty, or which might be inimical to overall US interests, and shld firmly discourage and seek prevent such tendencies from developing.

(F) Firm support of community along lines herein suggested and demonstration of community effectiveness wld probably have important polit ramifications at this time in influencing Eur public and Parl opinion favorably regarding other integration measures, such as EDC, particularly during critical period ratification debate, and be concrete evidence US desire promote Franco-German *rapprochement* as essential basis integration West Eur. Community is important institution in that several govts delegate substantial degree of control over important sectors industrial and econ life. Thus success or failure may have important polit ramifications beyond immed EDC debate.

2. US relations with High Auth in its capacity as rep of member states.

(A) Advantageous for both gen policy and for specific operating reasons that US, to maximum extent politically realistic and without sacrificing essential minimum negotiating flexibility, deal with community as a unit rather than with member govts on matters within community's competence. US interest in encouraging Eur integration wld be advanced by this procedure, and strong support wld thereby be given to establishing community's position and prestige. Degree and timing of this will obviously depend in large part on ability assume its corporate responsibilities. Also preferable from US standpoint that differences between High Auth and member govts on matters within competence of community and of interest US shld be resolved internally and not debated in other forums where US wld have to choose between counsels of High Auth and those of member govts.

(B) For US coal exports under aid program or subj to licensing we wld prefer High Auth state requirements and availabilities for six member govts collectively to OEEC or ECE, whichever approp. US shld be prepared accept High Auth recommendation as to pattern allocations among six members.

(C) Recognize disadvantages in encouraging community conduct external relations as unit in that govts may be able more easily escape individual performance responsibilities, and because of difficulties of isolating coal and steel problems from other industrial and econ problems outside High Auth's competence. However, believe above advantages outweigh disadvantages.

(D) Constitutional problem of community rep in OEEC on coal and steel matters obviously matter for their joint determination. Cld probably be resolved by one of two methods: Community member govts acting unanimously in OEEC on these matters (with or without High Auth observer) or by member govts authorizing High Auth to rep them in matters within High Auth's competence (with country observers). Important object is find best way for community members concert their action in OEEC with respect coal and steel problems dealt with there. Rep in ECE might present special problem as East countries might object High Auth rep in any capacity.

(E) Responsibility developing High Auth's procedures in conducting external relations referred above obviously belongs community. However, US will certainly be expected express views, formal or informal, and shld take approp opportunities express them.

3. Investment and US aid.

(A) US shld strongly adhere gen principle that sound operation community can best be promoted by recourse Eur resources; namely, those of coal and steel industries themselves and private capital market, supplemented by possible IBRD loans to community or individual members. US aid shld be considered only if other possibilities impractical, or if needed promote important US interests. US shld, nonetheless, give consideration requests from High Auth involving supply US materials or equip under aid program although at present appears virtually all necessary materials and equip available in Eur.

(B) Suggest that with regard possible future US aid in capital equip to six member countries from coal and steel industries form of conditional aid or other arrangement be explored whereby counterpart thereby generated wld be earmarked by individual member govts for use High Auth anywhere within community, thereby placing fund of Eur currencies at disposition High Auth which wld encourage rational investment policies.

4. Trade policies vis-à-vis non-members.

(A) US interests wld be advanced by High Auth policies which extend free market in coal and steel to non-members, particularly OEEC countries, consistent with obligations member govts of community undertaken in GATT and in any other agrmts which advance trade liberalization.

(B) Dual pricing and dumping shld be discouraged, since former wld provoke ill-will toward community and raise polit problems which wld complicate integration efforts, while latter might adversely affect US export interests in third markets.

(C) US shld use its influence for achievement above principles and generally support High Auth liberalization efforts which wld prevent reimposition quota restrictions already eliminated or tariff increases beyond levels previously reached.

(D) US will be interested in agrmt to be concluded between UK and community, particularly in avoidance provisions which might have discriminatory effect on non-member states.

5. Technical assistance and productivity projects.

US shld be guided by recommendations High Auth rather than individual members re coal and steel productivity and TA projects within community. Shld be prepared encourage High Auth interest itself in these matters. Are investigating possible projects under Moody Amendment.[1]

6. US representation to High Auth.

In accordance with Paris–Wash cable exchange (Torep 2538,[2] Repto 2259 [3]) responsibility for conducting US relations with community will be with SRE and assume small US del or US observer group will be desirable. However, details of rep shld await constitution High Auth and indication from it of nature rep it desires. We shld also ascertain Brit intentions re rep.

7. Future polit position of the community.

Fr FonMin Schuman has announced Fr will propose to forthcoming mtg Schuman Plan FonMins that Schuman Plan assembly be given task drafting specific proposals for immed creation Eur polit comm. These proposals wld then be submitted for govt approval and Parl ratification in six countries. Decision not yet entirely definite because suggestion has also been made that same task be assigned to a group taken from Council of Eur assembly. Developments this field being currently reported by Emb Paris.

8. Believe desirable SRE issue statement at approp time welcoming inauguration Schuman Plan. Draft being prepared will be cabled within few days.[4]

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[1] For documentation concerning the Moody Amendment, which provided funds to further free private enterprise objectives, see Documents 252 ff.

[2] Telegram Torep 2538 to Paris, Apr. 29, requested suggestions concerning how the United States could be represented with the Schuman Plan. (MSA telegram files, FRC Acc. No. 54 A 298, "Paris Torep")

[3] Telegram Repto 2259 from Paris, May 26, recommended that an autonomous delegation for the Schuman Plan not be established which would report directly to Washington, but that staff personnel in the Office of the U.S. Special Representative in Europe be utilized. (MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto")

[4] See Document 69.

9. Will continue examine these questions and will appreciate your comments.

DRAPER

No. 59

740.00/7-1152: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PARIS, July 11, 1952—9 p. m.

288. Subj is Eur Polit Community.

1. Although Schuman concept of Fr initiative for Eur polit community which was approved by Cabinet (Embtel 49 to Dept July 2 [2]) was precise concerning choice of Schuman Plan assembly rather than assembly tied to Council of Europe, subsequent developments have tended to confuse direction which movement is taking. These developments are:

(1) Reports of lukewarm Brit reaction and of Brit preoccupation with "Eden Plan",
(2) Schuman's apparently confused explanation of details his ideas to Dementhon, Pres Council Eur Assembly,
(3) Steps taken by Council of Eur Comites last weekend.

Re (1), there is gen awareness of mixed Brit reaction to Fr initiative and Brit preoccupation with Eden Plan involving ties of six-nation community to Council of Europe. This reaction being interpreted in some qtrs as being in opposition to Fr initiative and as being designed to give Brit voice in internal affairs of developing polit community, Schuman Plan and EDC via Council of Eur i.e., without Brit assuming corres responsibilities. Heads of Belg and Ital dels to EDC Interim Comm have both expressed to us their concern over Brit attitude and over possibility that Schuman may materially alter concept of Fr initiative in face of reported Brit opposition.

Re (2), Council of Eur informant reports Schuman discussed concept with Dementhon last week along fol lines: Fr Govt to propose that Schuman Plan Govts decide:

(a) Schuman Plan assembly to be given mission provided in Art 38, EDC Treaty and to be enlarged to size EDC assembly;

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[1] Repeated to London, Bonn, The Hague, Brussels, Rome, Luxembourg, Athens, Ankara, and Strasbourg.

[2] Not printed; it summarized press reports on Schuman's conference with the news media on July 1 during which he discussed the French proposals for the creation of a European political authority. (740.00/7-252)

(b) Observers from non-member countries to be invited to attend debates under conditions to be determined;

(c) Council of Mins rep participating govts to be assoc with work of assembly;

(d) Decision to be communicated to Permanent Comite of Council of Eur;

(e) Permanent Comite to call the *ad hoc* assembly into session and arrange its expansion to EDC assembly size by requesting Fr, Italy and FedRep to name three additional dels each;

(f) Permanent Comite also to determine operating rules of *ad hoc* assembly, which wld work under auspices and within framework of Council of Eur.

Points (a) through (d) of foregoing correspond with our understanding by your proposal approved by Fr Cab. However, govt proposal provided that Schuman Plan and EDC govts, not Permanent Comite of Council of Eur, wld call assembly and arrange for its expansion, and that assembly wld have completely independent legal status of its own. This confusion on role of Council of Eur may be due to wishful interpretation by Dementhon of his conversation with Schuman and/or to effort by Schuman to show his willingness for close ties between assembly and Council of Eur. We understand that Dementhon has informed Council Secretariat and comites of (a) thru (f) above.

Re (3), legal group was organized under auspices Council of Eur July 6 to outline legal questions which must be considered in polit drafting of constitution for EPC. Group consists of Ago of Italy, De Housse of France (worked with La Grange in early days of Schuman Plan), Ridder of Germany and Dutchman to be designated. Group to meet next at The Hague at end of July and to complete work by Sept 8 when special Council of Eur Comite to meet to draft "Avant Project" for EPC. This comite was designated by Perm Comite Council of Eur last week pursuant to Council of Eur assembly res and consists of 28 members, 15 from Schuman Plan countries (including one from Saar) and balance from other Council countries to act as observers with right to participate in deliberations but not to vote. Comite consists of fol from Schuman Plan countries: Belg—Bohy or Spaak and Struye; Fr—Mollet, Reynaud and Teitgen; Fed Rep—Gerstenmaier, Von Merkatz and Von Rechenberg; Italy—Venvenuti, Azara and Persico; Lux—Margue; Neth—Bruins Slot, Van der Goes van Naters; Saar—Braun. UK reps are Robens, Layton and conservative to be designated.

2. A major problem is that of role of observers:

(1) Whether they are to have direct voice in deliberations, and

(2) whether they are to be govt reps or Parliamentarians. Schuman and Monnet, as well as Hayter of Brit Emb, are reported to prefer that observers be govt reps with no direct voice. Dementhon

is reported to have suggested observers have right to speak in comites but not plenary sessions.

Re (1)—difficulties are obvious in having fifteen countries draw up constitution for six of their number. It also invites further attempts to bring UK in as full participant which wld be disastrous for EDC ratification. Furthermore, such countries as Greece and Turkey might express desire to become full participants which wld seriously complicate matters. Already in Council of Eur mtgs last week, we are informed that Grk and Turkish dels indicated their govts very interested in an EPC but were reserved on possibility of entering supranatl community; they wld prefer coalition type auth.

Re (2) Parliamentarian observers cld not be as responsible as govt observers. Brit Govt may fully support Fr initiative, realizing diff attitude wld be misunderstood in US and on continent (London tel 77 July 5 to Dept rptd info Paris [3]) and realizing importance of these developments to EDC ratification, particularly, danger involved in any attempts to bring UK in as full participant. However, Parliamentarian observers—particularly from Labor Party, wld not be governed by such considerations. Furthermore, possibility of US observers wld be complicated if all other observers to be Parliamentarians.

Spec Comite of Counc of Eur (Item 1 (3) above) established precedent for course opposite to that proposed by Fr and as result, work of this comite may raise those problems which were to be avoided by choice of Schuman Plan assembly as starting point. Timing of report is also important as it is sched to be presented at next mtg Council of Eur assembly, set last week for Sept 15—a crucial period in program of EDC treaty ratifications.

We understand Brit reply to Schuman's presentation is to be given to Fr very soon and because of vague and general refs to Eden Plan and "framework of Council of Eur" may give rise to undesirable developments. On other hand, vagueness of Brit refs shld permit for relationship of new assembly to Council of Europe which will both satisfy Brit and provide for an assembly of six participants which can develop a true supra-natl polit auth and whose work will materially assist in the ratification of EDC treaty and development of both EDC and coal-steel community.

After we have had opportunity to find out Fr reaction to Brit reply, we will report more fully.

DUNN

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[3] Document 54.

No. 60

740.00/7-1152

Memorandum by the Finance and Economic Adviser at the Embassy in France (Tomlinson) to the Ambassador in France (Dunn) [1]

SECRET PARIS, July 5, 1952.

In a conversation with me before his departure for London to participate in discussions on British policy towards European federation, Hayter made following points:

1. Schuman in talks with Eden last week on this subject had been quite vague and had left an impression in London of French Cabinet intentions which differed from the reports Hayter had received in Paris from the Foreign Office and Monnet. Hayter thought this confusion was one of the reasons that the British reaction to the French proposals had initially been rather negative, and he hoped he could clarify the question during his visit.

2. Hayter said he was anxious that the British Government give a clear indication that it supported the idea of the Schuman Plan Assembly taking an immediate initiative in drafting proposals for a European political community.

I told him that you had discussed the matter briefly with the Secretary and his party while in London and that their reaction had been favorable. We were, of course, anxious that the French proposal be made in a way which would encourage a quick ratification of the EDC Treaty and would not risk postponement. In particular, we did not wish the arrangements for participation of the Council of Europe in this affair to open up new questions of approach or membership.

Hayter agreed that France and the other countries had always asked for public approval of the Schuman Plan and the EDC on the basis that a common political authority would follow. He seemed to support fully the French Government view that work had to be at least started on the creation of a political authority before the EDC Treaty could be ratified. Hayter also agreed that the U.S. and the U.K. could not permit themselves to be pictured as opposing or wishing to delay the creation of such a political authority. If this happened, the U.S. or the U.K. might delay the ratification of the EDC or at least be blamed for any difficulties the countries might have in obtaining EDC ratification.

3. Hayter said that his Government did not insist on the details of the so-called Eden proposals. The proposals had been presented

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[1] Transmitted to the Department of State as enclosure 1 to despatch 104 from Paris, July 11.

primarily to indicate a willingness of the U.K. to associate with the development of political unity on the Continent and that his Government would be quite willing to work out changes the Continental countries might wish to propose.

I replied that at first the U.S. Government had been quite skeptical about the results of the Eden proposals but, while the vagueness of the proposals had created some confusion, at the same time there had been a very positive gain in obtaining the support of the French Socialists and others to close British association with, rather than participation in, the Continental grouping. In my view, therefore, care should be taken so that the eventual solution could somehow be interpreted as consistent with the Eden proposals. Hayter thought this could be worked out and commented that there would not have been a problem if Spaak had not insisted on giving the impression that the Eden proposals were in direct conflict with the Schuman Plan.

Hayter said that Monnet had pressed even harder than Schuman for a new and closer U.S. and U.K. association with the Schuman Plan Grouping. He seemed to be seeking some positive formula to insure that the U.S. and U.K. association with the Schuman Plan countries would develop along together with the gradual approach of these countries to a European Federation. Monnet was quite insistent that the framework of the Council of Europe is not now adequate for this development and that more positive results could be obtained in the framework of the North Atlantic Community.

4. Hayter confirmed that there was no question of French proposing that Schuman Plan Assembly be made a constituent Assembly. In fact, the French Government would probably resist going beyond the progressive approach of having the Schuman Plan Assembly prepare a draft Treaty limiting the initial powers of the European political authority to those necessary to take over EDC and the Schuman Plan. The really new element was the idea for European elections for a European Assembly early in 1953. Hayter seemed to accept Monnet's views that if a decision to have these elections could be taken now, many of the present difficulties, not only with EDC and the Schuman Plan, but also in connection with German and Italian elections next year would be solved.

No. 61

740.00/7-1152

Memorandum by the Finance and Economic Adviser at the Embassy in France (Tomlinson) to the Ambassador in France (Dunn) [1]

SECRET PARIS, July 8, 1952.

Subject: Status of EDC, Schuman Plan and Political Authority

1. Designation of the Schuman Plan Assembly to work on the creation of a common political authority.

A. The initial British reaction to the French proposal to use the Schuman Plan Assembly in connection with the creation of a European political authority has been rather reluctant. It would appear that the British Foreign Office favors postponing this step and might propose blanketing the political authority under the Council of Europe in a way which could have undesirable consequences.

This reported British attitude is already creating differences with France and her Continental partners over how to proceed. If the confusion becomes public, it may have the following unfortunate consequences:

(1) The British will once again be presented as preventing European Federation and perhaps as sabotaging the EDC. The Schuman Plan and the EDC have always been put forward by the French as steps leading to and requiring the creation of a common political authority.

(2) If on the other hand the British reiterate their support for EDC while discouraging the notion of a political authority, they will be accused of favoring EDC only as a device to obtain German rearmament; in this case the US would have to take sides openly against the British on the federation issue to avoid being placed in the same position.

(3) If the Council of Europe Assembly rather than the Schuman Plan Assembly is used to study the creation of a political authority, the possibility will result in an approach for membership different from the Schuman Plan and EDC. In this case a convincing argument can be made for postponement of EDC ratification until the political authority is completed. As an example of this problem, the Italian Embassy has informed me that the Greeks and Turks have made informal approaches to become full members of the political authority.

An even more serious problem may be a setback to the general acceptance of the idea of British association with, rather than membership in, Continental institutions. Prospects of British participation in the activities of the Council of Europe on the political authority might well renew insistence by various groups that the British become members of EDC.

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[1] Transmitted to the Department of State as enclosure 2 to despatch 104 from Paris, July 11.

(4) The Saar issue might be raised in connection with the membership of the Council of Europe Assembly.

Monnet has been conducting the conversations on this subject with the British on behalf of the French Government. He has been in Germany this weekend, so I have not been able to check French reactions to the developing British position. I have appointments to see him and Hayter tomorrow.

B. The situation may be further confused by the resolutions adopted last weekend by the Standing Committee of the Council of Europe, at the instigation of the Council of Europe Secretariat. Although the Council of Europe resolution left the Ministers free to choose which Assembly was to draft the statute for the common political authority, the Standing Committee apparently insists that the Council of Europe Assembly should be used, and that all the members should have the right of full participation with only the right to vote limited to the representatives of the six countries. Although the purpose and effect of these resolutions is to face the Ministers with a *fait accompli*, the Ministers can probably override them if left to themselves; if the British Government takes the same position, however, the results may be unfortunate.

2. Schuman Plan Developments.

A. Deconcentration of Ruhr industry. The French Government now accepts the final settlement reached late last week between the American and French representatives on the High Commission and the German Government concerning Ruhr deconcentration. The German Government is also expected to confirm this agreement. This removes the last obstacle to the deposit of ratifications and the entry into force of the Schuman Plan.

B. The final meeting of the Schuman Plan Interim Committee took place in Brussels at the end of last week, in preparation for the forthcoming Ministers Meeting. It now appears that the Ministers will meet not on the 11th but around July 18. Present plans are for ratifications to be deposited prior to or during the Ministers meeting, which will bring the Treaty into force at that time. The plan is for the appointments of the members of the High Authority and the Court to be made effective as of approximately September 1, to give the appointees a chance to wind up their personal affairs; the various time limits in the Treaty (for creation of the single market, etc.) will begin to run from that date.

C. The seat of the institutions was also discussed in Brussels. Four cities have presented their candidacies: Strasbourg, Luxembourg, Liege and The Hague.

D. The French members of the Schuman Plan Assembly will be elected by the French Parliament this Friday. There will be ten members from the National Assembly and five from the Council of the Republic—two Deputies and one Senator less than in the Council of Europe Assembly. We understand that the Senator and one of the Deputies to be dropped are from the overseas territories; the other Deputy is to be a Gaullist, on account of the reduced size of the RPF delegation in the National Assembly.

3. Buildup program for EDC forces of German Origin. [2]

A. Arrangements for drawing up an illustrative end-item program for German EDC contingents. On the question of working up a rough end-item program for German EDC contingents, we held a number of conversations last week with representatives of SRE, JAMAG, and SHAPE. With their agreement, we have now proposed to Washington that the Joint Chiefs of Staff instruct JAMAG to draw up such a program. In accordance with your talk with Ambassador Draper, we have stated that the necessary information and estimates which form the basis of such a program can best be obtained through us from the EDC Interim Commission. JAMAG officers could, as military members of the Embassy observer group, make contact with the German officers on the staff of the EDC Interim Commission as required.

Everyone seemed to appreciate fully that a program for the buildup of German EDC contingents could at best consist only of a very rough planning estimate, which in no way could prejudice EDC decisions after ratification, and all seemed quite satisfied with the prospect of obtaining only the broad and preliminary information which will be available in the next month or so. There was no more pressure to set up a separate MAAG in the Federal Republic to deal with the Germans on this type of programming.

In our conversations it became clear that the Congressional cuts in end-items will require cuts in the programs of the various receiving countries. This development could involve us in very serious political problems if the coincidence of the priority granted in the present SHAPE program to the buildup of German EDC units and the cuts in end-item deliveries make necessary cutbacks in the force goals of France and other NATO countries. Given such a development, there would be little chance of EDC ratification unless the force goals for Germany were correspondingly reduced. SHAPE is aware of this problem and is bringing it to the attention of the Defense Department.

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[2] For documentation concerning the U.S. attitude toward the establishment of a European Defense Community, see vol. v, Part 1, pp. 571 ff.

B. Information on the Federal Republic for the NATO Annual Review. No final decision has yet been reached on the proposal of the NATO Secretariat and the French under which the EDC Interim Commission would be the channel by which NATO would obtain the necessary information on all questions affecting the German defense contribution for its Annual Review of Western defense.

The British are still holding up agreement on the grounds that HICOM should be the channel between NATO and the Federal Republic on this question. The British are afraid that the Germans will prejudice any possibility of their receiving support costs from the Federal Republic after the middle of next year if they are permitted to deal more or less directly with NATO through the Interim Commission. The French have supported our position that the EDC Interim Commission can be the only practical channel for such information although HICOM, because it still retains political authority in Germany, should be kept completely informed and could intervene with the German Government whenever it considered it necessary to do so.

Last week the French suddenly decided that NATO should obtain information only about Germany's financial contribution but should not concern itself about the details of the German contribution in men and production. We have pressed Alphand to change this position, pointing out that NATO accepted responsibilities in this field when German EDC contingents, finance and production became a part of the defense goals agreed at Lisbon by the North Atlantic Council. We stated that the other NATO countries must inevitably insist that this gap in the estimates for all of Western defense be filled to the extent possible and that if this were not done through the Interim Commission it would be done via other channels. Alphand apparently has now succeeded in obtaining the agreement of the Foreign Ministry and the Defense Ministry to accept just the opposite position of providing the maximum amount of information possible.

C. Information on the German Utilization Plan. In a brief conversation we had with Blank, he informed us that the Germans would soon be submitting to the EDC Interim Commission their first estimates on the requirements and costing for German EDC contingents, and as soon as possible on the defense production which could be initiated by EDC in the Federal Republic. I believe, however, that we are all being a little optimistic about how soon this information can be assembled and processed to permit a useful presentation either for the NATO planning inherent in the Annual Review or for U.S. planning for the end-item program.

Throughout his conversation, Blank made continued reference to the "interminable" delays in completing the necessary political arrangement to permit the beginning of German buildup. I hope this attitude will not lead him to make further ill-advised statements which will add to the difficulties of ratification in France.

4. Developments in the EDC Interim Commission.

A. The organization of the Interim Commission has now been virtually completed. An integrated General Secretariat has been established, and the conference committees and their staffs as well as the national delegations have moved into the Palais de Chaillot.

The conference is now organized into a Directing Committee; five major technical committees—Military, Financial, Armament, Status and Juridical; and two *ad hoc* committees—a mixed military and financial committee to discuss military pay and a mixed military and status committee to discuss discipline and military justice. Most of these committees will have subcommittees working under them; the Status Committee in particular has at least three permanent subcommittees on various subjects. The most highly organized group is the Military Committee, which has under its orders over 100 officers working in seven integrated staff sections, and constituting in effect a nucleus for the future European general staff.

Now that the work of organization has been virtually completed, the Interim Commission will be able to get to work on substantive problems

B. The deployment of European Forces, especially those of German origin, was discussed last week at the Military Committee. SHAPE has promised to supply information to the Conference on its deployment plans. The Chairman of the Committee on behalf of the Committee as a whole insisted that these plans should be made available soon and in detail and that the Interim Commission should have the right to discuss them with SHAPE if any problems arose.

This is a subject of particular importance to the French, as ratification of the EDC Treaty will certainly depend in part on the ability of the French Government to give cast-iron assurances to its Parliament that in no case will German *groupements* (divisions) be placed together in all-Germany army corps.

C. The European Code of Military Justice has also been the subject of considerable discussion. It is essential that at least the main lines of such a code be worked out and agreed to before the entry into force of the Treaty, so that they may be applied immediately to the German contingents, for which at the moment no such code exists. The French and German delegates in both the Military Committee and the special Military Justice Committee have been insisting on the importance of speed. The Italian and Dutch delegates in particular have tended to drag their feet on this subject—the Italians apparently for constitutional reasons, the Dutch because their military representatives have from the beginning strongly opposed any developments which might detract from total national control over the national contingents. The speed and method of work on this subject will probably have to be settled by the Directing Committee.

No. 62

740.00/7-1352: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PARIS, July 13, 1952—7 a. m.

304. Re Deptel 171, July 10,[2] Embtels 288, July 11[3] and 8153, June 27.[4] Subj is Eur Polit Community.

Fol is translation of approx text of Fr proposals on creation of Eur Polit Community as approved by Fr Cabinet. This document has been given to us unofficially. Its entire accuracy cannot be assured as certain minor word changes may have been made in text given by Schuman to Eden. Schuman also sent text to other five Schuman Plan countries.

Begin text.

The Fr Govt, in agrmt with its Parl, considers that a supra-national polit authority shld be created among the countries participating in specialized Eur community, and that any existing or future community shld be subordinated thereto. Taking as a basis Art 38 of the draft treaty for the Eur Def Community, and in accordance with Res 14 of the Consultative Assembly of the Council of Eur concerning the best means of working out the statute of the Eur Polit Community, the Fr Govt proposes the fol to the govts associated with the Coal-Steel Community for decision:

1. In order to permit the rapid working out of such a project for a polit authority, the assembly of the Coal-Steel Community shall for this particular mission, be enlarged in the manner provided for by the treaty for the Def Community;

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[1] Repeated to London, Bonn, The Hague, Brussels, Rome, and Luxembourg.

[2] Not printed; it requested information from the Embassy concerning the proposals on political authority which the French had discussed with the British. (740.00/7-552)

[3] Document 59.

[4] Document 51.

2. Observers of non-member countries shall be invited to attend the debates under conditions to be determined;

3. A council of Mins representing the participating govts shall be associated with the work of the assembly under conditions to be determined by common agrmt;

4. The above decision is to be communicated to the Permanent Commission of the Council of Eur.

End text.

DUNN

No. 63

740.00/7-1352: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

TOP SECRET
RESTRICTED DISTRIBUTION

PARIS, July 13, 1952—6 a. m.

305. Re Embtel 304, July 12 [*13*].[2]

1. Brit Amb called on Schuman yesterday and gave him written reply to proposals which Schuman communicated to Eden on June 27 that Schuman Plan assembly shld be charged with preparation of a draft plan for establishment of a Eur polit authority. In summarizing results of conversation, Hayter showed copy of final Brit reply to Tomlinson. It is similar to that reported in London's 77 to Dept July 5, [3] except that no ref is made to Brit view that proposed action is premature. On the contrary, reply states that London recognized that creation of Eur polit auth "is matter of immed concern to the six countries" which have concluded Schuman Plan and EDC treaties, and that these govts "in view of state of opinion in their countries consider it necessary to undertake forthwith a study of this subj."

As regards procedure, Brit consider it important that evolution of polit auth and any study of this question should take place "within framework of Council of Europe and in harmony with British (Eden's) proposals for future of that org". These proposals are designed "to harmonize development of Council of Eur with that of restricted communities, and in eyes of HMG provides best way of associating UK and other Eur countries with work of these communities". Brit Govt convinced that Fr Govt shares this view and that Schuman proposals "are intended neither to exclude Council of Eur nor to prejudice Mr. Eden's proposals".

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[1] Repeated to London and Bonn.

[2] *Supra.*

[3] Document 54.

"In order to remove any possible misunderstanding", Brit urge Fr and other govts concerned, if Fr proposals accepted, to declare at same time their acceptance of Eden proposals and "to give immed effect to them by deciding to set up assembly of Coal and Steel Community from outset within framework of Council of Eur". Memo recalls that Eden's proposals included "the possibility of inviting reps from UK and other countries to take part as observers in work of Comite of Mins and consultative assembly sitting in restricted session as institutions of the Eur Community." (As Hayter explained to us in conversation reported below, memo does not propose that consultative assembly sitting in restricted session be the assembly of the Coal and Steel Community as reported in London tel 77 to Dept but only recalls what Eden's proposals were.)

2. We have reconstructed Schuman's reply to the Brit Amb on the basis of separate conversations with Monnet and Hayter. Schuman stressed again to Brit Amb that the assembly for the Schuman Plan (expanded to the size of the EDC assembly), must be given the mandate to prepare a draft treaty for the creation of a Eur Polit Community. This draft treaty wld be submitted to the govts of the six nations for approval and then to their Parls for approval. There wld be the possibility for modifications in draft treaty but Schuman hoped these cld be kept to minimum. According to Hayter, Schuman said he envisaged the draft treaty providing for the progressive establishment of a "federal parl, a fed govt and fed taxes for the six nations". Schuman stressed that completion of this program wld take a very long time.

Schuman thought that the Schuman Plan assembly cld meet in the same bldg as the Consultative Assembly of the Council of Eur and that it might use the same secretariat. According to Hayter, Schuman agreed that all Council of Eur countries cld send observers but he hoped there wld not be too many. He commented in particular that he did not expect the Greeks and Turks to contribute very much. Schuman said observers from these countries also attend the comites of the Schuman Plan assembly but stressed that such attendance shld be very restricted. He told the Brit he had not reached firm ideas on how the US shld be associated with this work.

Surprisingly after these remarks, Schuman then said that he thought the Brit reply was in general all right and that six countries could probably issue a declaration along lines of request in last para of Brit reply. He also agreed that the Brit reply might be sent to the other five Schuman Plan countries. Hayter remarked that Schuman had only just read the Brit reply and had obviously not been briefed. Hayter did not think, therefore, that Schuman shld be held to the letter of these remarks.

3. In view of developing confusion on this subj and in line with conversation with Perkins, I asked Tomlinson to inform Hayter:

(a) That we agreed with view that Schuman Plan countries shld proceed with creation of Eur polit authority;
(b) That how and how fast the six nations did this were primarily matters for them to determine as long as their initiative contributed to and did not impede or delay our common policy for Ger and Eur; and
(c) That we wished in particular to avoid any action which might prejudice EDC ratification and Fr-Ger *rapprochement* either by bringing the Schuman Plan-EDC approach or membership into question or by suggesting conflict between UK and Continental countries over this question. It is particularly important that our common policy maintain its impetus while notes are being exchanged with Sov Russia on the Ger question.

Tomlinson further explained our concern to Hayter by referring to confusion reported in Embtel 288 July 11, [4] and by pointing out that ref to Schuman Plan Council of Mins as institution of Council of Eur and implication that Schuman Plan assembly cld somehow become "consultative assembly sitting in restricted session" was in part responsible for this sitn.

Hayter replied that he cld agree entirely with our position. He said that last sentence of Brit reply was inserted merely because FonOff felt that it was necessary to repeat language of Eden's proposals. He said it was not Brit intention to suggest that Schuman Plan-EDC assembly cld be "consultative assembly sitting in restricted session". He recognized that decision to use Schuman Plan-EDC assembly and need for this assembly to be responsible in this matter to six nations instead of to consultative assembly required a change in Eden's proposals.

Hayter went on to say that he expected the Fr to make this very clear in a written reply to the Brit reply very soon. He was quite confident question wld be worked out without difficulty and he did not believe any formal approach by us to London wld be very useful when only real problem was for Schuman to make his views completely clear.

4. Monnet confirmed later by telephone that Schuman had agreed to prepare a written reply to Brit memo for circulation to all interested countries as soon as he returned to Paris on July 17. Schuman has also informed Brit that Monnet will go to London

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[4] Document 59.

end of this month to discuss organizational form of association between Schuman Plan community and UK.[5]

DUNN

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[5] According to telegram 254 from London, July 15, the British Foreign Office confirmed Hayter's statement that the French position regarding relations between the Schuman Plan Assembly and the Council of Europe was acceptable to the British. (740.00/7-1552)

No. 64

740.00/7-1352: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

TOP SECRET PARIS, July 13, 1952—1 a. m.

306. Eyes only Secretary and Under Secretary. Restrict distribution very closely. Subj: Eur Polit Community.

Before conversation between Schuman and Brit Amb reported in Embtel 305 July 12 [*13*],[2] Hayter discussed Brit reply with Monnet. Monnet then drafted memo to brief Schuman for his talk with Brit Amb. Copies were given on strictly confidential and personal basis to Hayter and Tomlinson. Hayter says that unfortunately Schuman did not have time to read it before talking to Brit Amb.

Fol is translation Monnet memo:

Begin text.

1. As agreed between us by telephone, I submitted to Chancellor Adenauer text of govt's decision to propose creation of a Eur polit auth, embracing the six countries belonging to the Coal and Steel Community, and to entrust the preparation of the project to the assembly of that community. I indicated to him that this text still had to be put in final form and that you had already given it to Mr. Eden.

I suggest that the time has now come to communicate text officially to five govts concerned and to submit it officially to the US Amb.

2. During mtg of Interim Commission, which has just been held in Brussels, chief of Ital del told me that De Gasperi was intensely interested in proposal to create a polit auth which was awaited from Fr Govt, that he sincerely hoped that Fr Govt wld decide to entrust this task to assembly of Coal-Steel Community, and that he wld like to know just as soon as possible terms of mandate to be given that assembly.

3. During my conversations with Chancellor Adenauer and Mr. Hallstein, I was assured of the determination of the Ger Govt to pursue policy of building Eur and of integrating Ger with the West.

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[1] Repeated to London eyes only for Spofford and to Bonn eyes only for McCloy.

[2] *Supra.*

But the Ger Govt is in a difficult position. It is obvious that time is short. There will be elections in Ger by May of next year. We must not close our eyes to the fact that certain temptations may arise: Ger is recovering and developing. She will need export markets. What will be the reaction of Ger leaders to those we are dealing with today in face of a Russia which offers Ger both unification and the opening of all the markets of the East, from Poland to China? Direct dealings between Ger and Russia wld represent the most deadly peril to the hopes of peace.

4. This peril reminds us that one of the essential purposes for building Eur is to bind Ger to the West, to dissolve her into an entity larger than herself, and thus to preserve her, in her own interest as well as in our interest and that of Eur, from the temptation of rebuilding as a natl power in the service of a nationalist policy.

To achieve this, a decisive step must be taken. We must pass beyond the stage of negots between govts and associate the people in the building of Eur—this means that we must arrive in 1953 at the direct election of a common Parl.

But such rapid progress can only be achieved if we bend our efforts to complete the construction already begun of a union of the six countries. It is this union which has sufficient concreteness and cohesion for Ger to be truly integrated in it. It is this union which today has the support of Amer, without which we cld not have overcome some of the obstacles with which we have been faced.

To accomplish this task it is, therefore, not possible to include everybody, nor to ignore Amer.

It is for this reason that we cannot act within the Council of Eur; it is thus necessary that the mandate to work out the polit auth be entrusted to the assembly of the Coal-Steel Community. It is not the proper function of nine countries which are not able belong to it to debate the statute for a polit community to which six others wish to belong. Moreover, the institutions of the Coal-Steel Community and of the Council of Eur are essentially different in nature. The Coal-Steel Assembly has effective powers; the Strasbourg Assembly is entirely consultative. The Council of Mins of Strasbourg deliberates on a wide variety of questions and votes only by unanimity; the Council of Mins of the Community has precisely defined duties and makes its decisions by majority vote.

In the Council of Eur, England is on the same footing as a number of other Eur countries. Our association with her ought to be much more definite and much more direct.

In addition, we must look present realities in the face. There is no Brit policy separate from Amer policy. Amer has an important role to play in helping with the building of Eur.

What we ought then to propose is that, in the preparation of the project for a polit auth by the Schuman assembly, as in the preparation of the Eur def treaty, there be Brit observers and Amer observers. England has a legitimate desire to be informed about the preparation of the new institution. She will be kept informed in this way, not as one of a host of other countries, but in concert with Amer.

5. It is not in the preparation of the common institutions but in the cooperation between the community and other countries that the Council of Eur will have a very useful role to play. It will form a natural framework within which the six countries will debate questions with other countries; the members of the assembly will mix in with a larger assembly; the govts of the six countries will participate in the Council of Mins at Strasbourg. This is the way in which continuous cooperation shld be assured. It will develop naturally from the fact that the community is itself part of the Council of Eur. But the Council of Eur cannot be a part of the community, any more than the Pan-Amer Union is represented in the US Govt.

This is the way that we shld understand and welcome the Eden Plan; we interpret it as acceptance by England without reservations, of the creation of a Eur community, and as symbolizing the desire to find concrete means of association with that community.

[*End text.*]

DUNN

No. 65

740.00/7-1652: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State [1]

SECRET LONDON, July 16, 1952—noon.

277. *Times* story in next numbered tel [2] has earmarks of being written after full FonOff briefing, although ref to Churchill's statement in Commons on July 8 is in error. He was asked views on possible federation of Commonwealth and in this context his reply that he has never been in favor of federation can hardly be interpreted to include Eur. Further comment will follow after contacting FonOff reps who are not available until later today. [3]

GIFFORD

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[1] Repeated to Paris, Brussels, The Hague, Moscow, and Bonn.

[2] Telegram 278 from London transmitted to the Department of State the text of an article entitled "Federation of Europe" which appeared in the July 16 issue of the London *Times*. (740.00/7-1652)

[3] In telegram 300 from London, July 16, the Department of State was informed that the Foreign Office advised that the *Times* article under reference represented British views on the Schuman proposal, with the exception of the inaccurate reference to Churchill's statement in the House of Commons. (740.00/7-1652)

No. 66

Camp files, lot 55 D 105, "Schuman Plan—1952"

Memorandum by the Officer in Charge of Economic Organization Affairs (Camp) to the Director of the Office of Western European Affairs (Byington) [1]

SECRET [WASHINGTON,] July 18, 1952.

VARIOUS SCHUMAN PLAN QUESTIONS

A number of problems relating to the Schuman Plan, some of an administrative character and some of a substantive character, will arise with the coming into force of the Schuman Plan and with the expected assignment to the Assembly of the Schuman Plan of the task of elaborating a European Political Community. Some of these problems, and suggestions as to the position which the Department should take on them are set out briefly below. If these recommendations are concurred in by E and GER as well as other interested offices in EUR, it is recommended that we seek to obtain MSA's concurrence on those points which are of interest to them and then inform Mr. Draper. SRE has already commented on many of these points in Repto 133 [*113*] (copy attached) [2] and has asked for comments from Washington.

Nature and Composition of U.S. Representation at the Seat of the Schuman Plan

Until the institutions of the Schuman Plan (High Authority, Court, Assembly, Council of Ministers, Consultative Committee) have organized themselves and have agreed upon their location or locations, it is difficult and probably unwise to seek to finalize our views on the best method of U.S. representation. However, on the assumption that the High Authority and Assembly of the Schuman Plan meet, at least initially, in Strasbourg, it seems desirable to move ahead with preparations for an adequate staff in Strasbourg to maintain close contact with the Schuman Plan institutions from their outset, leaving open for future decision the question of whether a U.S. observer would be formally accredited in any way to the institutions or simply available in Strasbourg for consultation and for reporting purposes. Although it is clear that the U.S. has such a strong interest in the development both of the Schuman Plan and of the European Political Community that we must have first-class people on the spot from the start, it would be a mistake for the United States to formalize a relationship with these organizations too quickly. There is already an excessive tendency to regard the development of the Schuman Plan and European Political Community as things which the Europeans are doing because the U.S. wants them to be done rather than because the European countries concerned believe in them, this is one reason for moving cautiously. It may also be desirable to see what type of relationship the British will establish before finalizing ours.

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[1] Attached to the source text was a covering memorandum to Byington in which Camp noted that Perkins generally approved of this memorandum. Camp requested any comments which Byington's office would have on the subject.

[2] Document 58.

Our representation in Strasbourg might be strengthened in one or two ways—first, by reorganizing and strengthening the Consulate General and giving it, in addition to the reporting functions now performed with respect to the Council of Europe, similar functions with respect to the Schuman Plan and the planning of the European Political Community. In view of the fuzzed-up relationship between the Schuman Plan Assembly and the Assembly of the Council of Europe, it is probably desirable for us to have the same people concerned with both. An alternative to the strengthening of the Consulate would be to establish a small U.S. Mission at the seat of the Council of Europe and Schuman Plan which would receive administrative support from the Consulate but which would be independent of the Consulate with a separate communication system, etc. The first arrangement is probably preferable, at least initially, for two reasons (1) it gives us an opportunity to put a very good person in Strasbourg in the position of Consul General without having to set up a separate job and define at this time the precise relationship such a person would have to the Council of Europe and the Schuman Plan. It will probably be several months before the Schuman Plan organizations are sufficiently developed so that we really know what kind of an organization we should have in Strasbourg. By letting the relationship grow from the Consulate we would avoid having to define the nature of our relationship and the scope of our interest as clearly as we would if we established an independent Mission. Secondly, it avoids the inevitable awkwardness of two American Missions in a reasonably small city.

Channels of Communication and Backstopping

Whether or not the Mission in Strasbourg is an integral part of the Consulate, it would seem desirable to establish the following pattern of communications for all Schuman Plan-European Political Community-Council of Europe and related matters:

(a) State Department series would be used with some series prefix (similar to Excon which is used on all East-West trade matters) to indicate the interdepartmental distribution at this end.

(b) All telegrams from Strasbourg to the Department would be repeated to Paris for the Embassy and SRE. All telegrams from the Department to Strasbourg would be repeated to Paris for the Embassy and SRE. SRE would be able not only to comment on all telegrams in either direction, but would have authority to hold up instructions from Washington to Strasbourg if they disagreed with the instructions until the matter could be satisfactorily resolved between Washington and Paris. This is roughly the same system as is used for the U.S. Delegation to the ECE in Geneva and as was used with HICOG in connection with instructions to the U.S. Delegation to the International Authority for the Ruhr. It has proved workable in both cases, and there have been very few instances of instructions being held up. In Washington, the primary backstopping for the whole complex of activities in Strasbourg should be in the Department of State. Telegrams having to do with the economic aspects of the Schuman Plan would be cleared with the MSA, as would other telegrams as appropriate.

U.S. Financial Assistance to the Schuman Plan

There is a tendency in MSA to wish to give assistance to the Schuman Plan as a device for increasing U.S. influence in the development of the Schuman Plan. This type of approach should be strongly resisted. No case has yet been made out, either by the MSA or by the Schuman Plan countries, as to why dollar assistance is required. In view of the difficulty of finding a need for dollars, it is more probable that the MSA, and perhaps also the Schuman Plan countries, will shortly broach the subject of counterpart contributions to the High Authority. It may prove to be desirable for counterpart generated either from U.S. coal deliveries to the Community or capital equipment required for the coal and steel industries to be placed at the disposal of the High Authority, but this depends largely on the competing needs for counterpart. There is obviously no inherent relation between the counterpart of coal or coal equipment and the needs of the High Authority for funds, and a decision as to whether or not to put counterpart at the disposal of the High Authority and if so, how much, should be determined in the light of the needs of the High Authority for local currencies and their ability to raise money independently. The incoming telegram from SRE raises the question of counterpart and indicates that it is being further explored. Until we have further information it is difficult to take a firm positon.

One type of question which will require particular watching is the interpretation to be placed on sentences like the following in Repto 113: "U.S. aid should be considered only if other possibilities *impracticable or if needed promote important U.S. interests.*" The underlined [3] section is clearly correct if it means precisely what it says, but there is frequently too great a tendency to assume that the furtherance of U.S. policies is facilitated by the giving of aid, an increasingly dubious proposition.

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[3] Printed here in italics.

For some time, it has been generally agreed that we would allocate funds for use in connection with modernization or development of coal and steel industries only if the projects had received the approval of the High Authority. We should, of course, reaffirm this position.

General Policy toward European Coal and Steel Community as in Repto 113 (attached)

Except for the specific point on the nature of the U.S. representation to the High Authority, the incoming telegram is generally satisfactory. However, the governing principles are stated so broadly that it is difficult to determine whether in fact a real meeting of minds between Washington and Paris exists. The area in which differences are most apt to arise between the Department and MSA on the one hand and probably also between the Department and SRE on the other is the extent to which the United States should become directly involved in the development of the Schuman Plan and of the European Political Community. There will be general agreement on the desirability of preserving the European initiative. There will also be general agreement on the proposition that the United States has a sufficiently large stake in the success both of the Schuman Plan and the European Political Community that we can not afford to take a completely "hands-off" position if things seem to be going badly. There will undoubtedly however be a continuing problem of restraining our people from premature or excessive interference. Not much can be done about this problem in advance of particular situations except to emphasize at all times the fact that the Schuman Plan is the first organization to be established as the result of a genuine European initiative and the over-riding importance, if it and the European Political Community are to be supported with conviction by the European countries, of having them be genuinely indigenous developments and not jerry-built structures bought with American aid. [4]

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[4] In a memorandum to Camp, dated July 23, Byington concurred with the suggestions contained in this memorandum, particularly the recommendation concerning the use of the Consulate in Strasbourg for U.S. representation rather than a separate mission in that city. (850.33/7–2152)

No. 67

Camp files, lot 55 D 105, "Schuman Plan—1952"

Memorandum by the Acting Director of the European Regional Staff, Mutual Security Agency (Hulley), to the Assistant Director for Europe, Mutual Security Agency (Cleveland) [1]

SECRET [WASHINGTON,] July 21, 1952.

Subject: The U.S. and the Schuman Plan.

1. This memorandum advances the thesis that we ought to raise our sights a little in our dealings with the Schuman Plan, on questions of aid, on questions of U.S. representation to the Coal-Steel Community and on questions of other operating relationships. There are some good arguments against as well as for this thesis, which are discussed below.

2. The Schuman Plan was originated in Europe, not here. It could hardly have originated here, given our then current appraisal of the political and economic realities in Europe. As soon as it was announced, however, the U.S. proclaimed its strong support. During the ensuing two years we provided every kind of public and private support that seemed appropriate. It is a difficult matter to judge, but I believe most European and American observers would agree that the plan would not have been ratified without that steady U.S. support. (It is also true that it would not have been ratified without fairly widespread, if sporadic, European support.) Following the Schuman Plan came the EDC, and there is now increasing probability that the Schuman Plan Assembly will be assigned the task of drawing up a political constitution. The whole project has steadily increased in importance. And we now hear Messrs. Acheson and Harriman at Lisbon, before Congress and in other places, asserting that this federative development may prove to be the most historic event in European history for the last several centuries. (Persons like Eisenhower, Hoffman and Dewey have taken a similar line.) Congressional sentiment has grown stronger each year. In this year's legislation, we were sufficiently concerned that the Congress go too far and make economic aid conditional on unification, that we drafted and submitted some legislation designed to avert this danger, but instructing the agencies in charge

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[1] Besides distribution within the Mutual Security Agency, copies of this memorandum were also sent to the Department of State. The source text, which was circulated in the Office of European Regional Affairs, had the following handwritten notes, presumably made by Parsons, written in the margins: "M[iriam] C[amp]. This isn't too good—proves you were right re settling this at the top. JGP." "Response? Does it require one—must we reward them."

of the Mutual Security Program to administer it in such fashion as to give maximum support to the federative movement. The Congress accepted this legislation (Section 102), by adding specific mention of the Schuman Plan, as well as the EDC and NATO. [2]

3. Now, as we find ourselves faced with the actual existence of the Schuman Plan and the actual evidence of a constitutional movement, our reponse is slight. Concerning economic aid to this historic institution, we are (naturally) impressed with alternative demands including defense support and productivity drives. Concerning representation to the Schuman Plan we are inclining to the system which would make Draper the nominal representative (as he is to the ECE) and appointing a relatively low level representative on the spot. Concerning other operating relationships, we have listed a few possibilities, but it is indeed still too early to plan them in detail, even though they may be substantial in degree.

4. An important argument in favor of assigning this relatively minor importance to the Schuman Plan within the scale of American organizaton and activities, is that excessive U.S. attention to European developments constitutes a "kiss of death". There is continuing European resentment against U.S. interference in Europe, against the "satellization" of the European countries and against the large number of U.S. representatives present in Europe. It is argued that active and public U.S. support for the Schuman Plan could turn away some European support. It is further argued that the Schuman Plan, if it has merit, should stand or fall on those merits. If it is so weak that active U.S. support will make an important difference, then it isn't worthy of support.

5. These arguments, perhaps oversimplified in summary, appear to me to be wrong. Though continued European support is the main essential for further federative progress, U.S. support is likely for a few more years to be a crucial factor. To plagiarize from Ray Vernon (who may not agree with the rest of these comments), the Schuman Plan will be caught in a three-way power play: its own dynamic drive in the direction of unification; the contrary drive of nationalism and entrenched national bureaucracies; and the danger of opposition from the industries. Some degree of real financial power will be essential to the success of the Schuman Plan in this battle. [3] Even though the average European may desire unification and change, the elimination of national structures, so long and so fixedly entrenched, will be a major piece of

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[2] For documentation concerning the Mutual Security Act of 1952 and its approval by Congress, see vol. I, Part 1, pp. 460 ff.

[3] The following handwritten notation, presumably made by Parsons, was in the margin of the source text at this point: "Not v. convincing. Success depends on willingness of nations to implement the treaty, not on am't of money in the till."

surgery. It has been argued that a European government cannot be substituted for a set of national governments without war or revolution. If the evolutionary process is to succeed, the minimum requirement is that the nascent central institutions dispose of the maximum actual power. For the first years of the Schuman Plan, the EDC and other institutions, they will need the greatest support in terms of power if they are to carry out their revolutionary purposes. [4]

6. As to the concern about European reactions against American support, we have learned that these difficulties can certainly be surmounted. [5] If we took the argument seriously, we could certainly accomplish none of our defense objectives, productivity objectives or other major American objectives in aid-receiving countries. But through multilateral agencies, such as NATO and OEEC, and through many other arrangements we have learned to press our objectives fairly successfully, with compromises here and there. In this instance the Coal-Steel Community might itself request assistance from the U.S. (and perhaps from other sources). The Community might request or discuss with SRE the need and character of U.S. representation to it. Through these or similar procedures, I recommend that we make every effort (a) to establish a strong politico/economic representation to the Schuman Plan, with an active and high level leader (and a clear line of authority to Draper); and (b) that we do the best we can in making available financial, programming and other powers to the new institution.

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[4] The notation "Money talks!" appeared in the margin at this point in the source text.

[5] The following notation appeared in the margin at this point: "He has twisted it—point is vol. Eur coop. in Eur org., not something American induced."

No. 68

740.00/7-2352: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

CONFIDENTIAL PARIS, July 23, 1952—8 p. m.

522. Re Embtel 491, July 22, rptd London 88, Bonn 66. [2] Subject is European political community.

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] Not printed; it transmitted the text of a French draft proposal on a European Political Authority substantially along the lines reported in Document 62. (740.00/7-2252)

Italian Emb informs us that in last night's talk with De Gasperi, Schuman accepted all major Italian amendments mentioned para 3a through 3c reftel, and that common French-Italian proposal on European political authority will be presented to six ministers probably tomorrow afternoon. De Gasperi also saw Adenauer this morning, and was very impressed with firm stand which Germans intend to take on importance moving rapidly ahead to create common political authority. Adenauer was also as strongly opposed as ever to use of Council of Europe Assembly.

Our source seemed very encouraged by these developments. He believed that solid French-German-Italian front can be maintained on this issue at tomorrow's (Thursday's) meeting. Only serious difficulty he foresees will be Dutch effort to keep this matter completely off ministers agenda on grounds that in absence Dutch Government, Stikker can not take any commitments.

De Gasperi expressed himself as strongly in favor close United States association with work of Schuman Plan Assembly on political authority. De Gasperi discussed this question also with Adenauer, who agreed entirely. De Gasperi will probably make proposal in sense para 3d reftel when French-Italian proposal on political community is discussed by ministers.

DUNN

No. 69

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto"

The United States Special Representative in Europe (Draper) to the President of the High Authority of the European Coal and Steel Community (Monnet) [1]

RESTRICTED PARIS, July 24, 1952.

DEAR MR. PRESIDENT: The creation today of the European coal and steel community is a happy event indeed for the nations of Europe. This successful development of the Schuman Plan is compelling evidence of the cooperation and the closer integration of the six countries directly concerned. It is both an important landmark, and a directional compass pointing the way toward Eur's econ and polit future.

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[1] Transmitted to the Mutual Security Agency in telegram Repto 260 from Paris, July 22, with the explanation that it would be delivered to Monnet on July 24. An earlier draft of this message was transmitted to the Mutual Security Agency in telegram Repto 184 from Paris, July 17. (MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto")

My Govt wishes me to express, through you, to the Mins of the six countries gathered in Paris for this historic occasion, sincere congratulations for the initiative and the far-sighted European statesmanship which have made this result possible.

The expanding productive effort and the broader markets in coal and steel, which can be fully anticipated, will improve the standard of living of the people and strengthen the economies not only of the six countries directly concerned, but throughout Western Eur.

Just as the formal beginning of economic integration in the coal and steel industries holds such great promise for the Eur economy, so the signing and the expected ratification of the European Defense Community marks another step forward in the broader context of a common defense effort. Many times my Govt has expressed the hope that the European countries would find it possible to move in the direction of effective economic and political integration. Certainly, in the light of this background and the advances now being made toward this goal, you may be certain that the initiative the six countries are now taking in the economic field will receive our cordial support and cooperation. We look forward with pleasure to a close and friendly relationship with the coal and steel community in all matters of common interest.

Draper

No. 70

740.00/7-2452: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET NIACT PARIS, July 24, 1952—7 p. m.

544. Subj is European polit community—Saar.

1. British Embassy delivered note to French Foreign Office yesterday stating that UK favored establishment of Schuman Plan High Authority in Saarbrucken and still preferred Schuman Plan Assembly in Strasbourg. UK would be willing to support this position in other Schuman Plan capitals if it were acceptable to French Govt. In reporting this, Maurice Schumann asked me if US could also support Saarbrucken.

2. Robert Schuman had proposed yesterday afternoon that Saarbrucken be chosen as permanent capital with Strasbourg as temporary capital. Strasbourg tel 10 to Dept July 22 [2] reports back-

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[1] Repeated to London, Bonn, Rome, The Hague, Brussels, Strasbourg, and Luxembourg.

[2] Not printed.

ground leading to this development. Maurice Schumann said he could not give me reactions of other ministers because matter was still being discussed. Unfortunately there was no prior consultation on this subject between Robert Schuman and Adenauer. Maurice Schumann said he would inform me this afternoon of results of ministers discussions.

3. Member of Fr del present during part of discussions informs us that reception Schuman proposal was chilly. Adenauer stated his "surprise" and implied he assumed this proposal was really intended as maneuver for support of Strasbourg as permanent seat. Other ministers also were surprised and said they would think it over; De Gasperi was apparently only one who gave impression he would give it serious consideration.

4. Pls confirm urgently that in line with Deptel 7514 June 21, sent London 6834,[3] I may reply to Maurice Schumann that we would support selection of Saar as seat of Schuman Plan institutions if Robert Schuman and Adenauer believe that such Europeanization of Saar will contribute to definite settlement of Saar question.

I suggest that you also authorize me to mention that:

(a) A token addition of French territory might contribute to European character and permanency of this arrangement to advantage of France and of acceptability of solution in Germany; and

(b) We tend to view that Schuman Plan institutions should be centralized and do not wish to associate ourselves with British suggestion that high authority and assembly meet in different places, altho we have no objections to such decision by Schuman Plan ministers if that is their preference.[4]

Dunn

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[3] Not printed; it informed the Embassy in London that representatives of the Department of State and the British Embassy had reached substantial agreement on the basis for a Saar settlement, including the point that the Saar should become as far as possible the seat of various projected European authorities especially those of the Schuman Plan. (762.022/6–2152)

[4] In telegram 472 to Paris, July 25, the Department of State authorized Dunn to make the statement suggested in paragraph 4, but recommended that the statements in subparagraphs (a) and (b) of paragraph 4 not be made until the results of the talks among Schuman Plan Ministers become more clearly known. (740.00/7–2452)

No. 71

850.33/7-2552: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

CONFIDENTIAL PARIS, July 25, 1952—8 p. m.

582. Subject is Schuman plan—Mins meeting.

As Mins meeting on Schuman plan did not terminate until after 6 o'clock this morning, most of participants are still unavailable. However, we have obtained some info on developments and decisions which were taken. With exception of those stated in official communiqué (Embtel 559, July 25 [2]) info contained in this and subsequent telegrams was obtained largely from member French del who left meeting before very end, and may be subject to later correction.

Following decisions were taken on strictly Schuman plan matters (seat of institutions is discussed in next following telegram, and developments on political auth in second following telegram):

1. Following men were named to High Auth: Monnet and Daum, France; Etzel and Pothof, Germany; Chiachgre, Italy; Spierenburg, Dutch; and Wehrer, Luxembourg. Belg member is still to be named, as Eyskens, who was Belg candidate, refused the designation, partly because he considered the salary inadequate. Ninth member of High Authority will have to be co-opted by members of High Auth itself, but there still seems to be no doubt that it will be Finet. Monnet will be president but vice president apparently not finally settled. These names will be announced later, after agreement has been reached through diplomatic channels on Belg member.

2. Following members have been named to court: Delvaux, Belg (our informant was not sure whether there had not been some last-minute change in Belg member; Hammes, Luxembourg; Van Kleffens, Netherlands; Rene Mayer, France; and Pilloti, Italy, who will be president. Still to be named are a German member and a labor man, who, we understand is to be from the Netherlands.

3. The community will employ four official languages: French, German, Italian and Dutch. We do not yet have details of this agreement.

4. Agreement was reached on the distribution of seats in the consultative comite. This distribution will be reported when we know the details.

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] Not printed; it transmitted the text of the communiqué issued at the end of the 2-day meeting of the Schuman Plan Ministers in Paris July 24-25. (850.33/7-2552)

5. Agreement was reached on the salary of members of High Auth and Court. Our source thought salary was of order of $17,000 a year for High Auth, but was not sure.

DUNN

No. 72

850.33/7-2552: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PARIS, July 25, 1952—8 p. m.

583. Re Embtels 582 [2] and 581. [3] Subject is Schuman Plan—seat of institutions.

This tel contains our reconstruction of discussion at yesterday's mtg of Schuman Plan ministers concerning seat of Schuman Plan institution based on info we have been able to obtain from sources who attended most but not all of plenary session.

1. FonOff has apparently been receiving reports during past week from German press that Fed Rep might be willing to consider favorably the idea of locating Schuman Plan institutions in Saar if France proposed it. Schuman's interest was particularly aroused by report he recd from Grandval two days ago that Fed Rep Economics Minister Erhard had visited Saar last week and talked to Van Bock, Saar industrialist. Grandval apparently intimated that this conversation also indicated German receptivity to this idea which Grandval and Saar govt have been pushing. In face of these reports Schuman apparently felt that if he failed to propose Saar as permanent headquarters Schuman Plan he might be accused both in Germany and France of not making sincere effort to solve Saar problem; he has apparently been much troubled recently on this subject. He therefore decided apparently at last minute to make this proposal at ministers mtg Wednesday. As previously reported he did not discuss this with Adenauer before mtg, and decision apparently came as surprise to most of French officials responsible for Schuman Plan.

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[1] Repeated to London, Bonn, Rome, The Hague, Brussels, Luxembourg, and Strasbourg.

[2] *Supra.*

[3] Not printed; it informed the Department of State of a conversation which Dunn had with Hayter concerning British views on the location of the Schuman Plan High Authority. Hayter was instructed by the Foreign Office to state that the British were not in a position to support any particular candidacy but only wished to ask that the Saar be given consideration. (850.33/7-2552)

2. In his opening speech to ministers mtg Wednesday afternoon Schuman said that while several other cities had presented candidacies for Schuman Plan capital backed by very good arguments he thought this matter shld be considered in the light higher political consideration. He noted that Saar problem had all along been a major obstacle to implementation of policy European unification, and expressed fear that tension on this subject might increase during next few months. The French Govt, he said, therefore considered that it cld not let this opportunity pass to propose a solution to this difficult problem.

He therefore proposed that in order to make the Saar "the first federal realization of the European community" the ministers shld agree in principle that the Saar wld be Europeanized and wld be made the permanent seat of Schuman Plan institutions as soon as agreement cld be reached among all the interested parties on a definitive solution to the Saar problem on a European basis. In the meanwhile he proposed that Strasbourg shld be chosen as temporary seat of institutions. While it was apparently not Schuman's intention to link idea of Saar as permanent seat with that of Strasbourg as temporary seat, other ministers apparently assumed that such a link existed and this misunderstanding later led to considerable difficulties in ministers mtg.

As previously reported other ministers all expressed their surprise and said they were unable to take a position on this proposal without giving it some thought. Adenauer in particular seemed taken back. He asked a number of questions, in particular concerning the exact territory to be included (perhaps ref to idea that piece of Lorraine might also be made a part of federal district), the political regime which wld be envisaged for the Saar and the fate of the Franco-Saar conventions. At the first mtg Adenauer apparently treated Schuman's proposal as a round about way to get Strasbourg accepted as temporary capital. Of the other ministers only De Gasperi appeared favorable to Schuman's idea.

3. Other ministers then proceeded to make their own proposals. Adenauer proposed The Hague and was supported by Stikker. Van Zeeland in lengthy speech extolled the virtues of Liege. Bech proposed Luxembourg as capital remarking that "all of the good arguments invented by Van Zeeland apply even better to my own capital." Van Zeeland then suggested that the institutions shld spread around in all of the member countries, idea which was apparently strongly opposed by De Gasperi.

Discussion was continued at private mtg of ministers with no advisors present on Thursday morning. While we have no direct info on this mtg, we understand that nothing of substance was added to previous day's discussions. Because of assumed link between Saar and Strasbourg serious danger appeared of deadlock on entire subject of Schuman Plan headquarters.

4. At Thursday afternoon mtg, The Hague lost some ground, in particular because Van Zeeland was adamant in vetoing Dutch Capital as potential headquarters. Strasbourg appeared to be gaining ground. At this mtg also, Adenauer agreed he would be willing to undertake discussions with French on definitive settlement of Saar question.

During course of discussion, Van Zeeland insisted that question of Saar could not be settled apart from other questions before Minister, in particular distribution of jobs on high authority and court. With stage thus set for bargaining, lengthy discussion ensued. Upshot was tentative agreement to postpone all decisions on ministers agenda for six weeks or so. Under this formula, treaty would come officially into force at this time, but members of high authority would not be named, none of Schuman Plan institutions would meet, and nothing at all would happen until next ministers mtg at end of August. Ministers then adjourned for dinner.

After mtg, Monnet and other members of French Schuman Plan del insisted to Schuman that this agreement was impossible, and would have to be reversed. They pointed to severe public disillusionment which would follow failure of this mtg to come to agreement, disillusionment which might lead to wholesale public abandonment of support of entire European policy. They envisaged that in public eye French proposal concerning Saarbrucken would be blamed for failure of mtg. Finally they noted that agreement on abolition of Ruhr Authority was scheduled to be signed today, and that postponement of effective entry into force of Schuman Plan might throw that schedule off and cause serious embarrassment with US and UK, who were also signatories to agreement (British Embassy on instructions from London, had previously expressed to French FonOff British preoccupation with possible delay in liquidation of Ruhr Authority). Schuman finally agreed with his advisors that it was necessary to take decision at this mtg which would make it possible to start Schuman Plan rolling.

5. At evening mtg, Van Zeeland returned to charges, apparently insisting that if Belgium were to give up Liege candidacy, it shld receive in return at least vice presidency of high authority, even if new post had to be created for that purpose. (It had always been understood that vice presidency of high authority shld be German.) He said that Belgian candidate Eyskens would not accept nomination to high authority unless he was assured of this post (Eyskens was also reported to be dissatisfied with salaries which had been agreed upon for high authority members). Other ministers refused

to consider adding second vice president on grounds this was contrary to treaty and would only be ruled illegal by court.

In confused discussion which followed, Van Zeeland finally said he might be willing to accept Turin as temporary capital. Italians naturally accepted this proposal, and other ministers, who were very tired after almost 14 hours of continuous mtg, came close to agreeing to this suggestion, which in fact was carried prematurely as decision by some of this morning's papers. However, they finally decided that Turin would not do.

As discussion continued, attention turned more and more to Luxembourg. On two occasions five of ministers had definitely agreed on Luxembourg as temporary capital, but Van Zeeland continued to place absolute veto on this agreement. It was only after several hours that other ministers were finally able to persuade him to agree to permit first mtg of high authority and court to be held in Luxembourg, with entire question of temporary and permanent seats to be re-examined at subsequent ministers mtg.

6. Final decision was as contained in communiqué: high authority and court will meet in Luxembourg on Aug 10, assembly in Strasbourg on Sept 10. Temporary seat will be discussed at next ministers mtg around Sept 15. French and Germans will discuss Saar question on basis internationalization of territory. However, our sources stated that there was no commitment by other ministers to place permanent capital in Saar even if French and Germans agreed.

7. It appears that nobody was fully satisfied with outcome of this rather confused series of mtgs. However, members of French del are apparently considerably relieved that total breakdown, which seemed very possible for much of the session, had been averted. They are also happy that agreement was reached on designation of members of high authority and court, and that this question will therefore not be permitted to confuse discussions on Schuman Plan headquarters at next ministers mtg. They hope it will be possible to reach more satisfactory conclusion at that time.

DUNN

No. 73

740.00/7-2852: Telegram

The Chargé in the United Kingdom (Holmes) to the Department of State [1]

SECRET LONDON, July 28, 1952—4 p. m.

510. FonOff appears satisfied with results mtg Schuman FonMins. "We got the two things we cared the most about, that the first mtg of the Schuman Plan assembly shld be in Strasbourg and that Saarbrucken shld receive consideration."

Hayter reported in confidence that La Tournelle told him that if decision were reached to place all organs of coal and steel community in Saarbrucken, Fr wld propose that Council of Eur be moved there too.

FonOff rep stated that Brit had expressed disagreement with De Gasperi proposal for European polit authority (Paris 584 to Dept July 25 [2] and 522 July 23 [3]) on grounds that it "digs a ditch" between coal and steel community and Council of Eur and also because Brit unwilling enter into special conventions to govern participation Brit reps in study for Eur polit authority. FonOff tel to field outlining Brit position stated that Brit wld insist coal and steel assembly act "as agent" for Council of Eur in undertaking study. FonOff rep, however, indicated Brit not insist on this so long as study were "under the aegis" Council of Europe. He therefore thought it shld be possible to find formula satisfactory to more extreme advocates of conducting the study independently, such as Monnet. He said both Schuman and De Gasperi anxious to accommodate Brit views in this respect.

HOLMES

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[1] Repeated to Paris, The Hague, Brussels, Rome, Moscow, and Bonn.

[2] Not printed; it briefly noted that De Gasperi's proposal on the creation of a European political community was "quite well-received" at the meeting of the Schuman Plan Ministers. (740.00/7-2552)

[3] Document 68.

No. 74

850.33/7-2852: Telegram

The Ambassador in the Netherlands (Chapin) to the Department of State [1]

SECRET THE HAGUE, July 28, 1952—7 p. m.

137. In conversation with EmbOff today FonOff SecGen Boon described last week's meeting Schuman Plan foreign ministers as a "complete failure", and said even atmosphere had been "unpleasant". French proposal for creation political authority was not included on agenda and although De Gasperi had originally suggested that it be discussed under "other business", meeting broke up before topic was reached.

Boon continued that present caretaker govt does not consider itself qualified to determine Neth policy on political authority issue. Stikker personally opposes French suggestion not because he objects in principle to concept of Western European political federation or confederation, but rather on grounds that political authority must "come last not first" and that it would be premature to establish such authority in the absence of strong social, economic and financial foundations.

Boon also said that in Dutch view both Germans and French realize that EDC could not be ratified by their Parliaments as matters stand at present. Accordingly, French seeking to build political authority on basis Schuman Plan in thought that such development would create atmosphere conducive to ratification EDC. Speaking in his capacity as senior FonOff official, Boon did not believe this maneuver would be successful. In this connection the Dept will recall that Boon has been staunch advocate of EDC and therefore his remarks not considered to reflect desire his part that EDC should fail to come into being but rather concern what he believed to be French and German attempt to put cart before horse.

At conclusion conversation Boon said that Stikker extremely upset disappointing nature FonMin's meeting referred to above and is gravely disturbed its implications for increased Western European cooperation. Boon is recommending that Stikker as one of his last acts as FonMin write Secretary a letter setting forth in detail his estimate of situation.

CHAPIN

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[1] Repeated to Paris, London, Bonn, Brussels, Rome, and Luxembourg.

No. 75

Editorial Note

During the Secretary's Staff Meeting on July 29, Acheson stated that the general picture of the Schuman Plan Ministers meeting of the previous week looked discouraging. It was Monnet's idea to take leadership in the Schuman Plan, but as yet no High Authority existed and the Schuman Plan seemed to be in a period of drift, which was "extremely bad" at this particular time. Bruce pointed out that the High Authority would be formed soon and that until it was formed, it was not possible to expect much more than the present state of hesitation and indecision. In Bruce's opinion, what was discouraging was the possibility of European countries revising agreements reached at Lisbon. It had become apparent that the United States had asked the Europeans to do more than they were able to do, given the level of assistance Congress had allotted. (Notes of the Secretary's Staff Meeting, July 29; Secretary's Staff Meetings, lot 63 D 75, "July 1952")

No. 76

850.33/7-2552: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, July 30, 1952—6:29 p. m.

567. Paris pass SRE.

1. Fol are Dept views on nature US representation to Shuman Plan institutions and proposed channel of communications. We have given Kenney copy but have not yet had discussion these suggestions with MSA. Other points in Repto 113 July 11 [2] will be commented upon in separate msg. [3]

2. Formulation of views has been complicated by confusion in location of Schuman Plan organs reported Embtel 583 July 25. [4] It is our guess now on which we wld appreciate Paris comments that Mins at next mtg will decide to locate all Schuman Plan orgs with possible exception of Court at Strasbourg pending further developments in Saar. However since Assembly of Schuman Plan will in any case be in Strasbourg and elaboration of Eur Polit Community will be done by this group it is clear that US must have first-class

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[1] Drafted by Camp and cleared with Parsons, Perkins, WE, GER, and E.

[2] Document 58.

[3] Presumably a reference to Document 85.

[4] Document 72.

senior officer in Strasbourg by early Sep so we may be kept fully informed developments and in a position use our influence if necessary. We believe however that it wld be a mistake for US to formalize its relationship with these new orgs too quickly. Apart from fact that difficult yet predict how important a Eur center Strasbourg may become we feel there is unfortunate tendency on part Europeans to regard development Schuman Plan and Eur Polit Community as things which Europeans are doing because US wants them to be done rather than because Eur countries concerned believe in them and that this tendency might be accentuated by precipitate estab special Mission. Another reason for moving cautiously in formalizing our relationship is desirability seeing type of relationship Brit estab before finalizing ours. After much thought we have therefore come to conclusion that initially at least rather than establishing separate US Mission at Strasbourg it wld be better to strengthen and reorganize Consulate putting in outstanding senior officer as Con Gen and giving him necessary technical staff. By letting relationship with new orgs grow from Consulate we wld avoid having define nature our relationship and scope our interests prematurely, yet be in position to put persons of real influence with Europeans on spot. Arrangement wld not prejudice estab of independent Mission either at Strasbourg or elsewhere at later date if this seemed to be more satis arrangement. If as seems likely there is a transitional period when some of institutions function at Strasbourg, some at Saarbrucken, and possibly the High Auth remains at Lux, Strasbourg is sufficiently centrally located to be able for a transitional period to be focal point for all three.

3. Staff charged with responsibility for these special questions wld of course not be expected participate in regular work Consulate which wld be handled by other officers and wld act as separate unit.

4. Fol pattern communications for all Schuman Plan-Eur Polit Community-Council of Eur and related matters wld be established in order ensure appropriate handling.

(a) All tels from Strasbourg to Dept and from Dept to Strasbourg wld be rptd Paris for Emb and SRE. SRE wld be able not only to comment on all tels in either direction but wld have auth hold up instrs from Wash to Strasbourg if they were in disagreement with them until matter cld be satis resolved between Wash and Paris. This is roughly same system used for communications with USDel to ECE in Geneva and as was used with HICOG in connection with instrs to USDel to IAR. It has proved workable and expeditious in both cases.

(b) State Dept series wld be used for all msgs but with some series prefix (similar to Excon which is used on all East-West trade matters) to indicate interdepartmental distribution at Wash end.

5. Foregoing is concerned with type arrangement which we wld forsee in Strasbourg fol next mtg Schuman Plan Mins and assumes preponderance of institutions are then located Strasbourg. Between now and middle Sep it obviously important for US maintain contact with developing High Auth at Lux. Believe this can best be done by temporary detail competent officer familiar with initial problems confronting High Auth to Leg Lux. We wld hope same individual wld subsequently form part special unit at Strasborg Consulate.

6. Dept actively seeking top level officer for Strasbourg position and considering possibilities for immed assignment Lux. Wld like ur comments on proposed arrangements.

ACHESON

No. 77

Bruce Mission files, lot 57 M 38, "CSC—U.S. Representation"

The Assistant Director for Supply of the Mutual Security Agency (FitzGerald) to the Office of the United States Special Representative in Europe

SECRET PRIORITY WASHINGTON, August 2, 1952—5 p. m.

Torep 569. For Draper and Kenney from FitzGerald. US representation and communication channels respecting Schuman Plan.

1. Have just seen State cable 567 to AmEmbassy Paris, [1] which may be subject discussions in Paris during current conferences. Herewith our comments, which we plan take up with State. Because there is fairly wide difference opinion, have attempted set forth our reasoning at some length in following paragraphs.

2. Our major difficulty arises from view expressed in middle paragraph 2 reftel (and also briefly referred to in para 2(B) Torep 555 [2]). In paraphrase, view is set forth that open and active US support of developments toward European economic and political unification tends give such unification an American coloring in European eyes. Implication is that this may have bad effects on European support for unification and thus success of this endeavor. Judgment in this matter affects all other issues concerning American relationships to CSC and possible European political community.

3. We profoundly feel that US should not adopt shy and diffident attitude toward instruments and organizations of European unifica-

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[1] *Supra.*

[2] Not printed.

tion. While some Europeans may have adverse reactions to US stimulus, believe that many more Europeans follow and welcome it. Major speeches by Hoffman and Eisenhower in October 1949 and July 1951 respectively did not slow down progress toward unification but on contrary served to pull this project out of current doldrums. These speeches together with steady US pressure and support through various channels, have been major factor in transforming what appeared to be idle dream (at time Congress first inserted mandate on unification in ECA act of 1949) to vital issue in terms of internal politics of 6 continental countries today.

4. American diffidence appears to us be far more dangerous policy than strong support. Process unification is now and will for some time be far more difficult than any other important change now going on in Europe. Union reaches deeper into economic and social roots of European community than any other set of current economic and political measures, and will have more fundamental effects. To bring about radical changes in historic European community will continue require active US stimulus and support. CSC will need high level US representation, with whom European representatives can deal with confidence and respect. US's support of financial and programming powers of CSC will also be important in process making this focus of European attention.

5. Also appears to us essential that US give maximum support to economic and political unification in order make possible proposed military unification. Erroneous impression is already current in Europe that US interested primarily in military unification, and this in turn primarily for purpose arming Germany. While support for economic and political unification important in itself, absence of such support might easily threaten ratification of EDC.

6. Reference second point para 2 reftel, we believe nature British representation with CSC important from many points of view but do not see why US should delay preparing own representation until British plans clear.

7. Respecting US organizational arrangements, we would not consider use consulate and consul general as appropriate interim US representative to economic and political institutions. Would favor preparations on US side for high level US representatives. For this post we incline to view that individual selected should have broad background in international affairs and preferably some experience in fields of CSC activity. Level should be roughly that of State Dept Assistant Secretary (or SRE deputy). As originally agreed with SRE, believe representative's office should be small and be able to draw directly on US political and economic units in Paris, including on economic side expert or experts on steel, coal, productivity and general programming matters.

8. Concerning communications, it is essential for our purposes maintain adequate and effective channel for what we hope will be substantial activity on economic programming matters. Believe representative's office should report to SRE, and communications should be tied in with SRE communications. Economic programming should be conducted generally in Torep/Repto series; political problems would be covered in Topol or other State series, and would presumably be tied in with Paris Embassy.

9. Foregoing recommendations, as well as virtually all other problems respecting US relationship to CSC, depend upon general line discussed which we believe important think through at this time. Wld it be desirable for Draper to discuss other members high authority or council of ministers type of US representation and relationship which they would favor?

FitzGerald

No. 78

850.33/8-452: Telegram

The Chargé in France (Achilles) to the Department of State

SECRET PARIS, August 4, 1952—9 p. m.

770. Subject is Schuman Plan. Ref Deptel 567, July 30 [1] and Torep 569, August 2. [2]

1. It is very unlikely that temporary seat of Schuman Plan high authority and court will be changed from Luxembourg. To change present arrangements, 6 Schuman Plan Ministers must take unanimous decision. Van Zeeland forced this approach and now it is quite clear that he will veto any new proposal except Liege. Other countries know this and are very unlikely to agree to Liege. Monnet states French position is firm on this point. For these reasons Monnet and members of high authority are moving into Luxembourg on August 10 with attitude that this seat is definite until an agreement is reached either setting up Saarbrucken as permanent seat or establishing another city as capital of Europe.

2. Decision that Schuman Plan assembly will meet in Strasbourg applies only to first meeting on Sept 10. Assembly itself will then take decision where second meeting scheduled for Jan 1953 is to be held—in Strasbourg or another city. Initial assembly session will only last few days. If next meeting of Ministers agrees to French-Italian proposal giving Schuman Plan assembly responsibility in

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[1] Document 76.

[2] *Supra*.

connection with creation of common political authority, it is probable that commissions of assembly will be charged with actual work between September and January sessions. It is expected that most of commissions will meet in Paris and not in Strasbourg.

3. On basis of this situation, assumptions of Deptel 567, July 30, will have to be changed. We are now discussing two reference cables with SRE and prefer to postpone any further comments until then.

ACHILLES

No. 79

850.33/8-552: Telegram

The Chargé in France (Achilles) to the Department of State [1]

SECRET PARIS, August 5, 1952—noon.

777. Subject is Schuman Plan. Fol are additional details on preparations for mtgs of Schuman Plan institutions:

1. Schuman Plan govts are considering Van Zeeland's proposal of Coppe, Belg Min of Reconstruction, for Belgium member of high authority. If Coppe's appointment is confirmed in next day or two, Monnet hopes to arrange for cooperation of ninth member before first mtg of high authority. As previously agreed, this will probably be Belg Trade Unionist Finet, who was proposed for post by ICFTU.

2. Court is also supposed to hold initial mtg on August 10. Its membership is not yet complete. Fr Govt has not yet proposed replacement for Rene Mayer, who refused to accept designation because of failure of mins to concentrate all institutions at same seat. German judge also remains to be named. First task of court will be to establish its rules of procedure which it must do within three months.

3. Council of Mins scheduled to meet between 25 and 30 August. Site of institutions may be discussed at this mtg but no new decision likely to be reached. French-Ital proposal giving Schuman Plan assembly mandate to study nature and powers of European political community will also be on agenda, and French hope for favorable decision if Dutch have a government by that time. Council should also instruct high authority re commercial policy talks with non-member countries.

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[1] Repeated to London, Bonn, The Hague, Brussels, Rome, and Luxembourg.

4. At first mtg high authority, Monnet will present program of work which will concentrate initially on following tasks:

(a) Organization of high authority staff. Monnet hopes that substantive staff can be kept as small as possible initially, and be permitted to grow only as specific needs become clear: he himself is only bringing two or three of his own people along. High authority will also have to appoint at an early stage certain special working groups, in particular a comite of experts to study transportation problems (see section 10 of transitional convention).

(b) Establishment of contacts with appropriate industry, labor and consumer organs. This is first essential to all activities of high authority in preparatory period; it is also specifically required so that high authority can make recommendations to mins mtg in late August re members to be appointed to consultative comite.

(c) Planning of steps which must be taken under treaty before single market can be brought into effect. Most important of these steps are establishment of perequation system for Belgian coal; commercial policy negotiations with non-member countries with which member countries have most-favored-nation trade agreements; and preparations to obtain waiver of most-favored-nation clause in GATT and OEEC trade liberalization code.

(d) Obtaining of info from member govts and direct from coal and steel industries to permit drawing up of "balance sheet" of these industries in terms of production, consumption, markets, investment plans, restrictive agrmts and combinations, etc. This balance sheet must be presented to second mtg of Schuman Plan assembly in Jan 53. It will also permit establishment by high authority of initial investment prog, and preparation of estimates concerning probable econ effects of creation single market and resultant needs for readaptation funds.

(e) Institution of negots with British Govt on method of association between UK and community, as well as on reciprocal reduction of tariff barriers on coal and steel and other commercial policy question. Monnet will go to UK soon after first mtg of high authority for preparatory conversation; formal negots can presumably start in Luxembourg as soon as official British Del named.

ACHILLES

No. 80

850.33/8-652: Telegram

The Chargé in France (Achilles) to the Department of State

SECRET PRIORITY PARIS, August 6, 1952—8 p. m.

823. ReDeptel 567 [1] and Torep 569. [2] In agreement with Draper, am sending Tomlinson and Stanley Cleveland to Luxembourg tem-

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[1] Document 76.

[2] Document 77.

porarily to cover Schuman Plan developments beginning August 10. They may be accompanied by one or more members of SRE staff. Believe this arrangement will serve temporarily to keep all interested US agencies adequately informed and provide channel for US contact with high authority.

Merchant and Tomlinson, who is flying Washington tonight, fully familiar with situation. In conversation with Monnet yesterday (which Draper reporting) was struck by Monnet's calm and pragmatic approach to development of high authority, which he plans to keep small and develop only as its functional needs become clear in practice. Believe we would be well advised to follow same course; i.e., to follow development of high authority closely, but defer setting up special mission, particularly large or high level one, until concrete needs of US representation become more clear.

ACHILLES

No. 81

Secretary's Memoranda, lot 53 D 444, "David K. Bruce"

Memorandum for the File [1]

SECRET [WASHINGTON, August 8, 1952.]

Subject: Meeting of Mr. Bruce with Messrs. Linder, Schaetzel, Leddy, Corbett and Sohm, 12:00 Friday, August 8, 1952.

U.S. Representation With Respect to Schuman Plan

1. Mr. Bruce stated that he was concerned about the U.S. representation with respect to the Schuman plan. He explained that he had been talking to Mr. Merchant and he felt that some positive action should be taken on our representation. He explained that the site of the operations of the Schuman plan is indefinite. It has been assumed that our contact with the Schuman plan would be through SRE. Mr. Leddy stated that he thought the arrangement with SRE was satisfactory, but he had understood that this had been a long-standing agreement between Mr. Bruce and Mr. Katz. Mr. Bruce said that this was not true, but he had no objection to SRE taking on this responsibility. Mr. Bruce was primarily concerned about the character of our representation. He noted that there had been some discussion of a U.S. delegation of 30 to 40 people. He was against this. He pointed out that Mr. Batt and a

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[1] The source text is undated and unsigned.

deputy had been suggested as a possibility. Mr. Bruce had no objection to this.

2. Mr. Leddy stated that we need someone to represent us by August 10 or 11. Mr. Tomlinson will probably go to the meeting but he will need some help, especially on the German problems. Mr. Leddy felt that at least for the next few months we should not have a high level representative. He felt that a small group of two or three people should be sufficient to handle the task at hand. He added that Mr. Riddleberger is worried somewhat about the appointment of Mr. Tomlinson mainly because of his orientation to the French side. Mr. Bruce stated emphatically that he wanted very competent people at the right level appointed to do our job on the Schuman plan. He said that he felt so strongly that he would be willing to take the matter to the Secretary if it became necessary. Mr. Bruce said that he would have no objection to the appointment of Mr. Batt, who in turn would report to State and SRE, but he felt that the top position should be left unfilled at this stage. He felt that Mr. Tomlinson should be appointed as the deputy, so that he could cover both the Schuman plan and the Federation developments. The second best man would be Stan Cleveland who has an excellent German background. The third best, and this man would be satisfactory as the head of the U.S. side, would be Bob Buie (?) [*Bowie*], but Mr. Bruce doubted that he would leave Harvard. Mr. Bruce felt that we should create a position at a high level but should not fill it at this time. He stated that it is important to have someone at the Schuman plan assembly, and he felt Mr. Tomlinson should be nominated. He wanted to get the reaction of E and then he would discuss the matter with Mr. Martin.

3. Mr. Schaetzel explained that Mr. Bruce's views were consistent with what E had in mind. Mr. Leddy felt that Mr. Batt's background be reviewed if he is considered for this job because of his SKF connections. Mr. Bruce said that his main concern with Mr. Batt is that it might be difficult to keep him from intervening at a high government level on certain matters on which we should refrain from reacting at such a level. He said that at some stage it might be necessary to take this function away from SRE and create a regional ambassador to do this and other jobs, but he felt this should not be considered now. In conclusion, he said that our representation should be settled on a temporary basis because we might wish to change the entire character of our representation at a later date.

4. Mr. Leddy noted that we do not appear to have the problem any longer of MSA attempting to force money into the Schuman plan organization. Monnet says he has no desire to obtain U.S. funds at this stage.

[Here follows discussion of the feasibility of an international trade policy study.]

No. 82

740.5 MSP/8-952

Memorandum by the Under Secretary of State (Bruce) to the Deputy Under Secretary of State (Matthews) [1]

CONFIDENTIAL WASHINGTON, August 9, 1952.

Subject: U.S. Representation at the Schuman Plan High Authority.

I recommend that an agreed MSA-State message be dispatched accepting Ambassador Draper's proposal for U.S. representation with the High Authority on the basis of the following understanding:

1. A small mission should be established at the seat of the High Authority reporting directly to Ambassador Draper. The designation of the head of the mission should be postponed until after discussion of the question of eventual U.S. representation with the High Authority. The desirability of naming Mr. William Batt should then be reviewed in the light of the requirements of the position. It may be that Mr. Batt is too high-powered for the job, and his previous connections with SKF should be considered.
2. Pending the designation of the head of the mission, Mr. William Tomlinson, acting under the responsibility of Ambassador Draper as the Deputy to the eventual head of the mission, should follow Schuman Plan developments, including any Schuman Plan Assembly developments in connection with the creation of a political community in Europe. A small group would be formed of personnel within SRE and the Embassy Paris in order to permit representation with the EDC Interim Committee to continue on its present basis. The Department should reassign Stanley Cleveland to the Embassy Paris to participate in this group, because of his experience, contacts and language proficiency. Cleveland's later assignment should depend on representational needs on these questions as they develop.
3. It should be clearly understood that the Department may wish to establish a direct channel of authority (rather than one through SRE) to our representation with the EDC and with the European Political Community after these institutions have been established.

DAVID BRUCE

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[1] Copies were also sent to Perkins, Riddleberger, Ferguson, Scott, and Martin.

No. 83

Editorial Note

During the Secretary's Daily Meeting on August 11, Bruce informed the Secretary that the Schuman Plan officially began operation that day and recommended that the Secretary issue a statement recognizing the organization. The statement, drafted by EUR, was approved by the Secretary with instructions that it be released to the press immediately. (Memorandum of conversation, August 11; Secretary's Daily Meetings, lot 58 D 609, "August 1952") For the text of this statement, see Department of State *Bulletin*, August 25, 1952, page 285.

No. 84

850.33/8-1352: Telegram

The Chargé in Luxembourg (Ketcham) to the Department of State [1]

CONFIDENTIAL LUXEMBOURG, August 13, 1952—7 p. m.

8. From Cleveland. Subject is European coal-steel community.

High Authority met in continuous session all day Monday and Tuesday morning [2] to take initial decision required to begin operations. It has now recessed formal meetings until Monday August 18 to permit certain members to return home and clear up personal affairs. Before recessing, it set staff to work on particular problems, and Monnet and majority of High Authority members will remain in Luxembourg this week to participate in work.

In its initial mtgs, High Authority concentrated on problems concerning establishment of Schuman Plan institutions and priority work for its own staff.

1. Preparations for first official mtg CSC Council of Ministers were discussed in general terms; detailed agenda will be prepared some time next week. High Authority does not expect to place question of headquarters on Minister's agenda, feeling that renewal of discussion at last Minister's mtg wld be both fruitless and undesirable. It will therefore take a positive decision by Ministers to renew discussions; under present circumstances and in the absence of positive conclusions from French-German conversations on Saar High Authority staff does not believe it likely that Ministers will take this decision. Six Ministers will also discuss French-Italian

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[1] Repeated to Paris, Bonn, London, Brussels, The Hague, and Rome.

[2] Aug. 11–12.

proposal for creation of European political community; they will act for this purpose as govt reps and by unanimity rather than under majority rule of Schuman Plan Council of Ministers.

2. Common Assembly will hold first mtg in Strasbourg on September 10. Acting under his responsibility as High Authority President to call first assembly meeting (section 6 of transitional protocol), Monnet has already requested Blamont, Secretary of French National Assembly, to make necessary preparations in conjunction with informal comite of National Parliament secretaries from 6 member countries. High Authority approved Monnet's initiative and his reasoning that it was important from the beginning to make clear even in organizational arrangements the distinction between Schuman Plan and Council of Europe Assemblies. Blamont's comite has been working in Paris for past few days and hopes to complete its report before beginning of next week.

3. Court will meet in Luxembourg as soon as all of its members named: (so far only name of president (Pilotti) has been officially announced). Luxembourg Government has already made available excellent building for court so it can begin work on rules of procedure as soon as it is named.

4. High Authority staff preparing letter from High Authority requesting member govts to name producers, workers, and consumers associations in field of coal and steel. This information necessary to permit High Authority make contacts and obtain candidates for Consultative Comite. It is not certain yet whether replies will be received in time to permit High Authority to make definite recommendations on Consultative comite membership to first mtg Council of Ministers.

5. High Authority approved initial work program for its own staff substantially along lines of para 4 Paris Embtel 777 to Washington, August 5.[3] It also appointed initial working group composed of Uri (France), Vink (Belgium), Balladori (Italy), Wagenfurt (Germany), Hamburger (Netherlands), and Kalmes (Lux). This group, all of whose members participated in Schuman Plan treaty negotiations, prepared specific decisions for next week's mtgs of High Authority, in particular concerning points (b), (c), (d) of para 4 reftel.

6. High Authority members and Monnet in particular consider negotiations with UK on association to be most urgent business. Monnet intends go to London middle next week for preliminary conversations with British. Initial conversations will concern only form of British association and relation between UK and community, and will not include negotiations on tariffs and quantitative re-

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[3] Document 79.

strictions which will require more extensive preparation as well as unanimous instructions from council of Ministers.

KETCHAM

No. 85

740.5/8-1552: Telegram

The Acting Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, August 15, 1952—4 p. m.

Topol 88. For Amb and SRE. Cotel. Dept has reconsidered views expressed Deptel 567, [2] in light info contained Embtel 770 [3] which altered assumptions on which Dept's earlier views based and in light conversations Merchant and Tomlinson. Fol comments concurred in by Merchant, MSA, and DMS.

With CSC in force we confirm that SRE now has responsibility for observation, reporting and representation to High Auth. As temporary measure concur in present SRE plan of keeping in touch with High Auth from Paris drawing on Emb resources as desirable and as approved by Amb Dunn. However as High Auth becomes increasingly operational it may be desirable for SRE estab small permanent staff in Lux to fol and report on developments.

Initially believe representational group shld be small but sufficiently high level so will have easy access to Monnet and others but do not believe rank at Amb or Min level desirable in early days.

If High Auth develops as we shld hope we wld foresee need for top-ranking person perhaps early next year. Believe by then it will be much easier to see how best formalize relationship with High Auth and also whether it will be possible pull together in one place various aspects of six country developments.

Problem will of course be simplified if as we hope High Auth does not locate permanently in Lux but an early decision taken to centralize majority of Schuman Plan and Eur Polit Community institutions in Saar.

In considering level, composition and lines of auth we believe it useful to consider US relationships in three time periods (a) the immed future (b) an interim period when we may have a mission established in Lux, but before it clear whether we will need have one mission in Lux, another in Strasbourg, or whether some consolidation will take place at one of these cities or in Saar, and (c) time when some consolidation of six-country orgs (ie, CSC, EDC, and Polit Community) occurs or at least when pattern of orgs and locations sufficiently clear that more permanent arrangements can be made.

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[1] Drafted by Camp and cleared with Merchant, Tomlinson, Perkins, Riddleberger, Bruce, Leddy, Wood, and Gordon.

[2] Document 76.

[3] Document 78.

So far as communications concerned we do not believe question of new arrangements arises in time period (a) since we assume individuals keeping in touch with High Auth will not be located in Lux but will spend day or two at time there and will communicate for most part through usual SRE channels in Paris. Any urgent msg cld of course be dispatched from Leg. We wld suggest these msgs be sent to Paris for SRE and Emb and rptd simultaneously to Wash; most msgs will as well be repeated capitals other Schuman Plan countries. Any tele instrs required wld be sent from Wash to SRE. We wld also assume that any instrs given by SRE to individuals in touch with High Auth wld be rptd simultaneously to Wash and that to extent feasible there wld be sufficient time allowed for Wash comment to be made. We wld suggest using SRE cable series appropriate to subj matter.

When a resident mission (time period (b)) is established in Lux Dept will make appropriate arrangements with Leg for special series and special signing auth for head of ResDel. The whole problem of communications will be re-examined when we reach time period (c).

During time periods (a) and (b) we wld assume relationships with Schuman Plan Assembly wld be SRE responsibility except so far as it or any special comites are working on developing Eur Polit Community when they wld be handled by collaboration between Emb and SRE with former having reporting responsibility. Clearly developments in Schuman Plan, EDC and Eur Polit Community so closely interrelated that must be closest coordination all aspects work. Assume that during time periods (a) and (b) this wld be handled by SRE-Emb group in Paris.

We believe that from start US representation to High Auth shld be balanced in character, that it must have people who are both highly qualified on econ aspects of Schuman Plan and fully aware of broader polit implications. We also consider it most important for staff have first-hand familiarity with both econ and polit problems of major Schuman Plan countries in particular Ger and Fr.

Wld appreciate ur suggestions on personnel.

Suggest Graham Martin proceed to Lux to survey tele and other facilities there and recommend any additions required for handling work in connection High Auth.

BRUCE

No. 86

740.00/8–1552: Telegram

The Chargé in France (Achilles) to the Department of State [1]

CONFIDENTIAL PARIS, August 15, 1952—6 p. m.

1010. Subject is European polit community.

Fol is translation Fr-Ital proposal on creation Eur polit community which will be discussed at mtg FonMin 6 Schuman plan countries between Aug 25 and 30 (see Luxembourg's 4 to Dept, Aug 13 [2]).

Begin text.

Conference of Mins of FonAffs representing six countries participating in coal-steel community have taken fol decision:

1. Ultimate objective of these govts has constantly been and remains to arrive at creation of as broad as possible a Eur political community.

2. At request Ital Govt, there was inserted in treaty constituting Eur Def Community, signed May 27, 1952 [3] an Art 38 whose purpose was to give assembly of that community task of studying a future fed or confederal structure based on principle of separation of powers and including in particular a bicameral rep system.

3. In its resolution No. 14 adopted by consultative assembly of Council of Eur during its session of May 30, 1952, [4] this assembly asked that govts of states participating in Eur Def Community shld choose most rapid procedure which wld give to an assembly the task of working out statute of polit community. This community shld have supranational character, wld remain open to all the member states of Council of Eur, and wld offer possibility of association to such of these states as did not adhere to it.

4. On the basis of considerations set forth in particular in points 2 and 3 above, and desirous of hastening study of proposed project while at same time assuring that this study shld have maximum authority, govts participating in coal-steel community have agreed on the fol:

(a) Assembly of this community is charged, on basis principles of Art 38 of EDC treaty and without waiting for entry into functions of EDC assembly, to study and work out draft treaty constituting a Eur polit community.

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[1] Repeated to London, Bonn, Rome, The Hague, Brussels, and Luxembourg.

[2] Presumably a reference to Document 84, which was repeated to Paris as telegram 4.

[3] For documentation concerning the Treaty Establishing the European Defense Community, which was signed in Paris on May 27, see vol. v, Part 1, pp. 571 ff.

[4] For information concerning the Fourth Ordinary Session (First Part) of the Consultative Assembly of the Council of Europe, which met in Strasbourg, May 26–30, and the resolutions which were approved by the Assembly, see Document 38.

For this purpose, members of the assembly, grouped by natl delegs, will co-opt from among delegates to consultative assembly who are not members of coal-steel assembly as many additional members as may be nec to attain total membership provided for each country in EDC assembly.

(b) The assembly thus constituted and completed shall meet in plenary session and in comite sessions at seat of Council of Europe.

It shall fix conditions under which reps of other member countries of Council of Europe may participate in public deliberations.

In addition, assembly will periodically make a report to Consultative Assembly on status of work.

If within six months from convocation of coal-steel assembly, treaty for European Def Community has not yet entered into force, conclusions of work accomplished by coal-steel assembly shall be transmitted to council of Mins of coal-steel community.

(c) Council of Mins of coal-steel community shall be associated with work of assembly in conditions which shall be established by common agrmt between these two bodies. Council shall periodically make a report to Comite of Mins of Council of Eur.

(d) The govts declare that they have expressly taken as a basis the proposals made by the Brit Govt, purpose of which is to provide for as close as possible a connection between future polit community and Council of Europe.

To this end, the working out of statute for this Comm shall be undertaken and carried out in permanent liaison with all of the organs of the Council of Europe. In addition, each member country of Council of Eur shall have every facility to associate itself freely with activities of Comm in interest of latter and of unification of Eur.

(e) Consultative assembly of Council of Eur shall be informed of above decision.

End text.

Tomlinson left copies of original Fr text this document with State and MSA/W. Comments summarized in separate msg. [5]

ACHILLES

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[5] This is a reference to telegram 1015 from Paris, Aug. 16, *infra*.

No. 87

740.00/8-1652: Telegram

The Chargé in France (Achilles) to the Department of State [1]

SECRET PARIS, August 16, 1952—11 a. m.

1015. Subj is Eur political community, re Embtel 1010, August 15. [2]

There are several points in present text of Fr-Italian proposal on Eur polit community (transmitted reftel) which trouble us:

1. Para 4 b of present draft provides for representation or observer status with Schuman Plan Assembly for Council of Eur countries not members of six-nation community, but wld seem to exclude such status for US. Monnet and others feel that US representation is essential, but neither Schuman nor FonOff officials have approached us on this point. In his talk with Brit Amb a month ago (Embtel 305, July 12 *[13]* [3]) Schuman said he had not yet made up his mind on this subj.

Further complication may be introduced by implication of present language that representation of countries outside six-nation community wld be not by govt observers but through parliamentarians as in Council of Eur. This wld be even more prejudicial to possibility US representation. Hayter (Brit Min in Paris) has told us on a number of occasions that Brit assumed that they wld be represented by govt observers and wld be opposed to having Brit parliamentarians involved.

If above questions not clarified soon, Dept may wish indicate our concern to Brit Govt as well as to Adenauer and De Gasperi, both of whom are reported to feel strongly that US shld be present at Assembly's work on polit community.

2. Problem is also raised by fact that under Fr-Italian proposal the assembly itself wld have to decide status of reps of countries outside of six participants. This cld be key problem in view of polit importance of Brit "association", and shld clearly be settled by Mins themselves. If it is not clearly settled beforehand, it may lead to heated debate in Assembly itself, in which some continentals might return to insistence on full Brit participation in community and possibly postpone entire project in face of inevitable Brit refusal.

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] *Supra.*

[3] Document 63.

3. Certain other provisions in Fr-Ital proposal, mostly those inserted by Schuman in order to please Dementhon and Council of Eur Secretariat, may create problems in getting Assembly to work:

(a) Present text of proposal provides that for its work on polit community, Schuman Plan Assembly shall meet "at seat Council of Eur." It is, however, entirely possible that Schuman Plan Assembly at its first session may decide to establish permanent headquarters in Luxembourg rather than Strasbourg. In this case, maintenance of present language in Fr-Ital proposal wld require Schuman Plan Assembly (important part of whose membership is different from that of Council of Eur Assembly) to meet in two different cities 100 miles apart according to what subj matter was under discussion.

(b) Present extent of Fr-Ital proposal (para 4 a) wld require that additional Fr, Ger and Ital members required to bring Schuman Plan Assembly up to size of EDC Assembly cld be chosen only from among membership of Council of Eur Assembly. This wld arbitrarily limit choice to a very few individuals (those members of Council of Eur Assembly who had not been selected by their national parties to sit in Schuman Plan Assembly) and might exclude other members of national Parls who might be particularly qualified by interest or ability to work on framing of polit community constitution.

(c) In para 4 d of Fr-Ital proposal, Mins declare themselves to have been specifically inspired by Eden proposals. This statement, which was inserted to meet Brit request reported Embtel 305, July 12, is subj to varying interpretations because of ambiguous nature of Eden proposals themselves. If, however, Mins make clear that decision to set Schuman Plan Assembly to work on polit community is in their opinion fulfillment of Eden proposals, some of confusion about role of Council of Eur may be cleared up.

ACHILLES

No. 88

740.5/8-2052: Telegram

The United States Special Representative in Europe (Draper) to the Department of State [1]

CONFIDENTIAL PARIS, August 20, 1952—11 p. m.

Polto 190. Cotel. Subject is European Coal Steel Community—negotiations with British. [2]

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] According to telegram 876 from London, Aug. 15, the Foreign Office informed Embassy officials that the British hoped "to get down to brass tacks on subject of Brit working relations with Schuman Plan authority when Monnet visits London to discuss matter next week." The British stated that they were prepared to send a permanent delegation to the authority headed by a businessman "who has political sense." (850.33/8-1552)

1. Monnet goes to London today for talks with Makins and Dixon of FonOff concerning British association with CSC. Talks expected to last several days.

2. Monnet hopes that rapid agreement with British on concrete forms of association between United Kingdom and supra-national continental bodies will help allay fears of many continental political leaders that joining continental union will draw them away from British, and that creation of a 6-nation community without British will lead to German domination on continent. He is convinced ratification EDC and development of European political community will be much easier once association is established.

3. Monnet's ideas on form which British association might take are rather vague except that he wishes a separate mission to CSC institutions established at seat of High Authority. He assumes that British, who have been very anxious to talk with him, will have concrete proposals to make. He stated he wants to accept any arrangements desired by British as long as they do not prejudice independent and supra-national status of CSC. Monnet also commented in general terms that relationships with the United States should as far as possible parallel arrangements to be made with British. This would make clear that continental unity is to develop within Atlantic community and by demonstrating concretely the tripartite nature of Atlantic community would reinforce political attractiveness of European idea on continent.

4. Monnet does not believe British will bring up "Eden proposals" in these negotiations; if they do, he does not think that they will interpret them in such a way as to give 14 countries any authority over supra-national community to which 6 of these countries have surrendered a part of their sovereignty. If this issue should arise, he said, he would be forced to take position that any attempt to subordinate community and its institutions to any outside agency would be contrary to Schuman Plan Treaty and hence unacceptable. (Monnet has already received opinion from La Grange, court advocate of CSC court, to this effect.) British are fully aware of Monnet's position and presumably would not wish public conflict on such a subject; their repeatedly expressed desire that he come to London to discuss association therefore convinces him that they do not plan to pursue such an interpretation of Eden proposals.

5. Monnet's intention is that London talks will cover only questions directly concerned with "association" between United Kingdom and community. On tariffs, quantitative restrictions or other commercial policy questions he is only in position to listen. Considerably more preparations will be required before such discussions could be fruitful, and tariff and commercial policy negotiations at

least cannot be instituted until High Authority has sought and obtained necessary unanimous instructions from CSC Council of Ministers. Commercial policy negotiations would presumably be carried out by High Authority and special British mission after latter is established in Luxembourg.

DRAPER

No. 89

Bruce Mission files, lot 57 M 38, "CSC—U.S. Representation"

Memorandum by the Deputy United States Representative to the Coal and Steel Community (Tomlinson) to the United States Special Representative in Europe (Draper) [1]

[PARIS,] August 20, 1952.

Subject: High Points of Conversation with CSC High Authority

1. The members of the High Authority were very pleased that you are responsible for U.S. representation to the CSC institutions and that you are establishing a separate mission at the seat of the High Authority. They clearly attach great importance to having relations between the High Authority and the United States be entirely separate from our relations with the national governments.

2. I told Monnet that you planned to keep the CSC Mission very small at the outset and to have it draw on SRE economic and industrial advisers when necessary. Pending the designation of the Chief of the CSC Mission, I would be Acting Chief. The High Authority thought such arrangements were very satisfactory. Monnet wants to discuss them further with you at your next meeting with him.

3. Preparations are nearly completed for the first meeting of the CSC Council of Ministers on Sept. 2 or 3. Adenauer, who is to be Chairman for the first three months, circulated an agenda providing that the High Authority "report" on its activities to the Ministers for their comments or approval. The High Authority advised Adenauer that they would "inform" the Ministers of the High Authority's activities, but that a "report" would violate the sovereignty of the CSC. Adenauer agreed, and revised his proposed agenda accordingly. Adenauer has also asked the six Ministers to discuss the proposal to have the CSC Assembly draft a Treaty for the European Political Community.

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[1] Copies were also sent to Anderson, Merchant, Blum, and Breithut.

4. The Council of Europe Secretariat claimed that the Committee of Ministers of the Council of Europe instructed it to make preparations for the first CSC Assembly session on September 10. The High Authority held that the Ministers have no authority do do so under the Treaty and has had the preparations made itself.

I asked Monnet to make arrangements for us to observe at first session of Assembly. He agreed to do so.

5. The High Authority has spent considerable time the first week to [*in*] pulling together a small staff. The quality so far is excellent. Etzel, the German Vice-President, has been under great pressure from Erhardt, Westrick and German industry to appoint immediately a long list of industry representatives. The High Authority intends to resist this strongly and to appoint industry experts, one by one, as the work develops. This will lead to considerable criticism, but Monnet insists the bureaucracy is to be kept as small as possible. It is difficult for Europeans to understand that High Authority is not supposed to administer the industries, but is more in the nature of a regulatory commission like the Federal Trade Commission, with industry running its own affairs. Monnet hopes he can obtain participation of industry primarily by the special committee device.

6. The plans for the survey of conditions of industry are still very provisional. We may be able to get advance information next week. The High Authority has made arrangements with Marjolin and Myrdal to obtain information from OEEC and ECE and to have the secretariats of the two organizations work for them. The High Authority will have an observer with the OEEC Coal Committee.

7. The High Authority is taking up its allocation powers in the next few days, but will not exercise them until the first quarter of 1953. Governments will be informed in order to permit termination of the allocation powers of the Ruhr Authority.

8. The CSC staff has begun to draft papers on commercial policy negotiations with the U.S., the U.K., OEEC and GATT, but we are not likely to obtain much information until Spierenburg returns in about two weeks time. In any case, the Council must issue instructions to the High Authority on these questions so talks are required with the member governments. The High Authority will tend to be cautious in any advance talks with us.

9. Monnet does not expect to get much beyond organizational relationships in his London talks. The British may wish to get into questions of commercial policy, markets, resources, prices, etc. at this stage. Monnet will probably encourage the British to handle coal exports to CSC in a way which will facilitate any allocation just as he has urged us to think of some way to do so, but except for this question he is probably only in a position to listen.

No. 90

Editorial Note

On August 22, William H. Draper, Jr., United States Special Representative in Europe, sent a report to President Truman concerning his first half-year of tenure in Paris. In this report, Draper attempted to give the President his impressions of events in Europe during the preceding months, including a summary of European integration efforts, the role of United States agencies in Europe, the results of the Lisbon Conference, the impact of United States aid to Europe, and the status of the North Atlantic Council, the Organization for European Economic Cooperation, and the European Payments Union. Draper's report was issued as a White House press release on August 28; for the text of the report, see Department of State *Bulletin*, September 8, 1952, pages 353–360.

No. 91

740.5/8-2552

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Under Secretary of State (Bruce) [1]

CONFIDENTIAL WASHINGTON, August 25, 1952.

Mr. Tomlinson telephoned this morning from Paris with regard to our Topol 111 August 22. [2] He said that he had been holding up a reply to this owing to Mr. Draper's absence but that he wanted us to know that he had already talked to M. Monnet regarding our plans for representation to the Schuman Plan High Authority. The talk took place a week ago when Tomlinson was in Luxembourg. He said that he had informed Monnet that we contemplated the following arrangements which he understood were fully in line with decisions reached in Washington as set forth in Topol 88 August 15. [3] (This was the message which was worked out when Mr. Merchant was here.)

(1) Our representation to the High Authority will be under the direction of Mr. Draper.

(2) We plan to have a permanent delegation in Luxembourg, or wherever the seat of the High Authority is finally fixed.

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[1] Copies were also sent to Parsons, Knight, and Pollack.

[2] Not printed; it requested information concerning the scheduling of talks with Monnet. (740.5/8-2052)

[3] Document 85.

(3) We plan to keep our delegation very small at the outset. Later we will appoint a permanent head of the delegation and such additional assistants as experience dictates.

(4) Meanwhile, Tomlinson is our acting representative and will call on Mr. Draper's staff for such assistance as he needs.

Tomlinson stated that the High Authority was very satisfied with this explanation. On Wednesday or Thursday of this week Monnet plans to meet with Draper in Paris in order to reach a "definite agreement" on these arrangements (it is not entirely clear to me what kind of an agreement is required). Tomlinson indicated further that at that time they considered it important to issue a press communiqué. In this connection he said that there had been considerable publicity on the subject of Monnet's conversations with the British (which Monnet indicated were highly satisfactory) and there is a certain amount of speculation regarding what the US will do. Some of this speculation has been drawing unfortunate comparisons between what we and the British plan to do, the implication being that the US regards its representation to the High Authority as only a part-time job. Actually our setup, once we appoint a permanent head of delegation, will be almost identical to that of the UK. Tomlinson feels that unless we get out a press release setting the record straight, the US public and members of Congress may get the idea that we are lukewarm towards the Schuman plan and thereby increase the pressure on us to appoint someone of Ambassadorial rank before we are ready for such a step.

In conclusion, Tomlinson said that they would try to get off a message to us tomorrow, when Draper is due back in Paris and will also send us a draft of a proposed release for our comment.

No. 92

740.5/8–2552: Telegram

The United States Special Representative in Europe (Draper) to the Department of State

CONFIDENTIAL
PRIORITY

PARIS, August 25, 1952—9 p. m.

Polto 202. Re Topol 111, August 22. [1] Subj is CSC.

In accordance with Topol 88 [2] and with conversations of Merchant and Tomlinson in Wash, Tomlinson informed high authority and Brit before Monnet's trip to London that I will have responsibility for US representation to CSC institutions and that representation wld take form of a separate permanent del at seat of high authority. Pending appointment of head of del, Tomlinson wld be acting US rep. It was indicated that we plan to keep del very small at outset and to detail appropriate econ, labor and industrial advisors temporarily to del whenever necessary until permanent needs of del are determined by experience. High authority was very pleased with these arrangements. Note that arrangements closely parallel "empirical approach" agreed by Monnet and Brit whereby del begins to function but its content and eventual nature of association between UK and CSC are to be determined on basis of experience.

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[1] See footnote 2, *supra*.

[2] Document 85.

Monnet expects to be in Paris on Aug 27 or 28. We plan to complete our talks on immediate organization on Aug 28 and to issue press communiqué confirming arrangements in Topol 88 at their conclusion. There are no plans to discuss any other subjects.

I suggest you telephone any comments you have on draft communiqué sent in separate msg. [3] There has already been press speculation on US intentions concerning relations with CSC and some comparisons, unfortunate for us, drawn after quick Brit action. I consider it very important that we also act decisively and publicly like Brit and make it clear that US will also have separate delegation.

DRAPER

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[3] The draft communiqué, which described the establishment of a "permanent delegation" to the High Authority, was transmitted to the Department of State in telegram Polto 209 from Paris, Aug. 26. (740.5/8-2652)

No. 93

740.5/8-2652: Telegram

The United States Special Representative in Europe (Draper) to the Department of State [1]

RESTRICTED PARIS, August 26, 1952—10 p. m.

Polto 204. Subj is Eur coal steel community.

1. Monnet has told us that he is very satisfied with outcome his London talks with Makins and Dixon. He found the Brit in a most cooperative mood, and clearly desirous to establish close practical assoc as rapidly as development of community activities permit. He

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[1] Repeated to London and Bonn.

verified accuracy of press reports that London discussions were in gen terms and that Brit permanent del to community will have task of elaborating concrete working relationship with high auth.

2. After conversation with Makins on assoc, Monnet held several informal talks with Dixon at latter's request concerning Eden proposals and relations between community and Council of Eur. Monnet explained in terms similar those reported Polto 190 [2] why high auth cld not go along with any interpretation of Eden proposals which wld give 14 countries in Council of Eur any control over activities of supra-national community to which 6 of the 14 countries had transferred their sovereign powers over coal and steel. (See also Embtels 305, 306 and 1015 [3]). Monnet's impression was that Dixon had not previously considered fully the implications of this interpretation of Eden proposals and according to Monnet, Dixon expressed complete understanding of this point of view. In order to avoid embarrassment on either side, Dixon suggested that when subj is raised at next mtg of Council of Eur the Brit shld propose that specific action on Eden proposals be held up until high auth has been in operation for some time, at which time relations between community and Council of Eur wld be fully worked out.

3. Monnet told Dixon he was satisfied with this proposal, but that it wld be no easy matter to postpone the issue if Paris (Council of Eur Sec Gen) continued to use Eden proposals as peg on which to hang his efforts to control arrangements for first mtg of Schuman Plan assembly (see fol Polto on this subj [4]). If issue cannot be postponed, high auth wld have to take a firm stand in opposition.

DRAPER

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[2] Document 88.

[3] Documents 63, 64, and 87, respectively.

[4] *Infra*.

No. 94

740.5/8–2652: Telegram

The United States Special Representative in Europe (Draper) to the Department of State [1]

CONFIDENTIAL PARIS, August 26, 1952--11 p. m.

Polto 205. Subj is Eur coal steel community.

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, Luxembourg, and Strasbourg.

1. In response to ltr from Monnet (see Polto 187 [2]), Paris, SecGen of Council of Eur, came to Luxembourg Thurs. Paris told High Auth that while he was prepared accept responsibility as temporary SecGen CSC Assembly, he was unwilling make mtg place and part of this services available to Assembly on any other basis [*sic*]. He added he wants to consult his superiors (presumably Turk FonMin and De Menthon, pres of Council of Eur Assembly) before making any formal reply.

2. High Auth on Mon received copy of tel sent by Paris to members comite of Mins of Council of Eur, stating that he did not consider his instructions from mins permitted him to make services of Council of Eur Secretariat available on a piece-meal basis. Tel continued that he interpreted mins decision accepting Eden proposals in principle as meaning that he shld be responsible for Secretariat functions of CSC Assembly. He therefore intended to maintain this position until receiving instructions from mins deps (who meet about Sept 7, on only 3 days before mtg CSC Assembly). He further asked FonMins of CSC member countries to inform High Auth of their interpretation of decisions of Council of Eur mins on Eden proposals. Meanwhile, Paris said he wld continue to make preparation for use of entire Council of Eur Secretariat at first mtg of CSC Assembly.

3. Staff of High Auth interprets Paris action as intended to postpone any decision on this subj until it is too late for High Auth to make separate plans for first mtg CSC Assembly. Presumably he will then argue that "for practical reasons" only recourse is to organization of Council of Eur. High Authority has not yet taken any decision on this matter, but Blamont's report (Polto 187) provides for assuring essential services for mtg in Strasbourg even without cooperation of Council of Eur Secretariat, and, if necessary, in separate building.

DRAPER

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[2] Not printed; it reported that Paris sent Monnet a formal letter on Aug. 14 informing him of the specific services which the Council of Europe Secretariat was prepared to make available to the Schuman Plan Assembly. (740.5/8-2052)

No. 95

Bruce Mission files, lot 57 M 38, "UK Association"

Memorandum for the Record, by the Deputy Executive Secretary of the Office of the United States Special Representative in Europe (Oulashin) [1]

CONFIDENTIAL [PARIS,] August 28, 1952.

Subject: Memorandum of conversation with M. Jean Monnet in the Office of Amb. Draper—August 27, 1952. [2]

1. M. Monnet stated that he shared Mr. Draper's gratification at the news of Sir Cecil Weir's appointment as Chief of the UK Mission to the CSC. He pointed out that if the CSC proved to be a success—and no alternative could be contemplated—and if it built up a close association with the UK, answers to many of the problems of UK-Continental relationships would begin to emerge of themselves.

2. M. Monnet reported briefly upon his recent conversations with Makins and Dixon who, incidentally, had been among those who cold-shouldered the Plan in May 1950. They had stated that the UK regarded the CSC as a new sovereign power and was, therefore, sending a Mission accredited to it; the UK attached the greatest importance to the development of a close association with the CSC.

M. Monnet is convinced of the sincerity of the British. He believes that they attach an importance to the CSC going beyond questions of coal and steel, and that they have accepted the fact that it is the beginning of the New Europe. Mr. Draper commented that he had received the same impression during his recent London conversations regarding internal financial stability.

M. Monnet, in reply to queries by Makins and Dixon as to his conception of the UK association with the CSC, had stated that this would take one form if the UK adopted all the regulations and principles of the CSC (non-discrimination, no division of markets, other anti-cartel provisions, etc.) or another form if the UK adopted only some of them. He had further stated that he would recommend that the CSC work with the UK in the same manner as the Schuman Plan adherents had been working with each other so far in developing the organization; rather than being a question of negotiating national interests, the work should take the form of discussing the sort of arrangements that would be best for all concerned.

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[1] A notation at the end of the source text indicates that the U.S. participants in this conversation were Draper, Merchant, Porter, Tomlinson, and Samuels, as well as the drafter, Eric Oulashin.

[2] Draper sent the Department of State a summary of this conversation in telegram Polto 236 from Paris, Aug. 29. (740.5/8-2952)

Mr. Makins had stressed that the UK would be guided by the principle of complete and full exchange of information. Of course, the UK would have certain special problems, such as its need for steel scrap from the Continent.

During these London talks, the British had laid great emphasis on the social aspects (miners) and M. Monnet received the impression that labor questions would play a large role in dealings between the UK and the CSC. It remained to be seen if British labor participation would prove constructive; he was of the opinion that labor is always constructive if its initial suspicion can be removed at the outset.

M. Monnet stated that he was now convinced that not only would the UK not resist this first experiment, but they would help and in so doing would take the road to increasing cooperation with the United States of Europe.

In this connection, Mr. Samuels mentioned that he had received a report that the Prime Minister was very concerned over the apparent feeling of the British public that the Conservatives were taking no broader a view of international affairs than Labor.

3. Mr. Merchant asked whether, in M. Monnet's opinion, the new attitude of the UK constituted a bi-partisan policy. In reply, M. Monnet recalled that in May 1950 he had met with Cripps and Plowden, as well as with Makins and Dixon. At that time he had made the point that ordinary arrangements between sovereign states would not suffice to avoid the catastrophe that faced Europe if it did not move in the direction of unification through means such as the Schuman Plan. Cripps had asked him whether he intended to go ahead with the Germans if the British stayed out. M. Monnet had replied that, at that stage, he was prepared to do so. In this connection, he had pointed out that the British would not act on a hypothesis but would move when faced with a fact. The answer to Mr. Merchant's question, therefore, was "Yes", the bi-partisan policy of the British being that of acknowledging the facts.

4. M. Monnet emphasized that a cardinal point that should be reiterated to the general public was that the CSC represented the United States of Europe in the making—in association with the UK and the U.S. He did not mean, of course, that the UK and the U.S. association with the CSC would be of identical character, but, and he stressed this in his London conversations, the cooperation of the CSC with the UK and the U.S. should be such as to reflect the realities of the world situation and it should truly represent the association of the Free World in practical terms. It was very impor-

tant to make clear to the public that the New Europe was not growing separately from the UK or the U.S.

5. With reference to the current discussions with the Secretariat of the Council of Europe, M. Monnet remarked that this organization was attempting to arrogate to itself a franchise without any authority. There could be no question of merging the CSC into the Council of Europe; aside from the fact that such a development would inevitably create confusion and would vitiate the CSC, there was the further consideration that there was no U.S. delegation to the Council. Furthermore, the CSC General Assembly must meet with no prior commitments. M. Monnet was sure that the CSC Assembly would not agree to turning any matters over to the Council of Europe Secretariat. He took the position that if the Council of Europe refused to put the convention hall at Strasbourg at the disposal of the CSC, the CSC General Assembly would simply meet elsewhere.

6. Mr. Porter asked whether M. Monnet anticipated the establishment of any other resident delegations such as, for example, the Scandinavian. Mr. Monnet thought there was a possibility that there might be some.

7. In concluding, M. Monnet remarked that the composition of the High Authority was extraordinarily good—a fortunate and by no means inevitable circumstance which he regarded as auguring well for the future of this great experiment.

E. E. OULASHIN

No. 96

850.33/8–2752

Memorandum of Telephone Conversation, by the Acting Director of the Office of European Regional Affairs (Parsons) [1]

CONFIDENTIAL WASHINGTON, August 27, 1952.

Subject: Press Release on U.S. Representation at Schuman Plan

Participants: William M. Tomlinson, Paris
J. C. H. Bonbright, EUR
J. Graham Parsons, EUR/RA

The attached text of a release [2] to be made in Paris by Ambassador Draper on U.S. representation at the European Coal and Steel

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[1] Copies were sent to Bonbright and Camp.

[2] Not printed. A copy of the press release, which was issued in Paris by the Office of the U.S. Special Representative in Europe on Aug. 27, is in Bruce Mission files, lot 57 M 38, "CSC–U.S. Representation."

Community was dictated to Mr. Tomlinson's secretary at 3:30 this afternoon and the accuracy of the dictation was verified by her reading it back to me. The present text is in substitution for that contained in Polto 209 [3] which was received in the Department late yesterday afternoon. Mr. Gordon in DMS had telephoned the Acting Secretary with regard to the Polto 209 text to which he had fundamental objections, namely (1) that the text represented a degree of finalization of our representation to the Schuman Plan well beyond that envisaged by Topol 88 [4] at this stage, and (2) that it was predicated on the need to parallel the United Kingdom action, whereas the situation of the United States and the United Kingdom is not exactly parallel. In addition, both we and Mr. Gordon had other objections.

The present text was agreed upon by Mr. Gordon, myself and Mr. Baum of MSA who subsequently cleared with Mr. Wood of MSA. Mr. Bruce, Mr. Bonbright and Miss Kirkpatrick approved the present text and its substance was cleared with Mr. Vernon. Mr. Riddleberger was satisfied with those portions of the first text of interest to GER and has received a copy of the revision.

Following up his several recent calls to Mr. Bonbright and myself, Mr. Tomlinson telephoned this morning at 11:30 to ascertain if we had cleared the text contained in Polto 209. I informed him that we were unable to clear it and hoped to telephone him our revisions within three or four hours. Mr. Tomlinson telephoned again just before 3:30. He at first indicated that the revisions were not consistent with the authority granted to SRE in Topol 88, whereas all Washington agencies are in agreement that the revisions conform more closely thereto. He indicated also that Mr. Draper and Mr. Merchant would be embarrassed because in conversation with M. Monnet they had disclosed to him we would have a "permanent delegation" to the Schuman Plan rather than, at this stage, merely "representation". Mr. Bonbright and I explained that we could not authorize further changes without re-clearance which would make any release impossible today. We said that we did not wish to embarrass Mr. Draper, Mr. Merchant or Mr. Tomlinson and asked if they wished to have us reopen the text with the other agencies. Mr. Tomlinson had Mr. Draper on another wire in Paris and, after consulting him, said that the latter did not wish to reopen the matter and would accept the text we gave them. In response to my question, Mr. Tomlinson said that there was no need to send him a niact giving the text which his secretary had taken down accurately. We also left him authority to notify the other

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[3] See footnote 3, Document 92.

[4] Document 85.

Schuman Plan capitals in discretion. We said that we would not issue any release here without word from him.

Subsequent to the conversation, I was given an Agence France ticker item indicating that Mr. Draper and M. Monnet had discussed the form of future American representation and asserting that announcement of a decision to appoint a U.S. permanent delegation to the Schuman Plan would be made shortly. Our revision, of course, deletes the reference to a permanent delegation first, because the connotation of "permanent", and second, because delegation normally implies membership in an organization as, for instance, our delegation to the United Nations. I believe the deletion of this word, which had evidently been used with Monnet and the press before clearance with Washington, was the primary cause of the embarrassment of our representatives which Mr. Tomlinson alluded to in his conversation with us.

No. 97

740.5/8-2952

Memorandum for the Record, by the Acting Director of the Office of European Regional Affairs (Parsons)

CONFIDENTIAL [WASHINGTON,] August 29, 1952.

Re Polto 227.[1] As this subject will be discussed when Mr. Merchant arrives in Washington about September 4, it may be useful to record the developments which led up to Ambassador Draper's complaint.

Paragraph 5 of Polto 188, August 20,[2] revealed, apparently by chance, that M. Monnet had been having talks with the United States on the relationship to the Schuman Plan. As this relationship is obviously a matter of interest and importance to the Government in Washington, this office despatched an inquiry (Topol 111[3]) on August 22. However, as we were not sure from the passing allusion in Polto 188 whether the talks had actually taken place, our inquiry asked if they were to be inaugurated after the

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[1] Not printed; in it Draper reported the hardships which the changes in the wording of the press release concerning U.S. representation to the Schuman Plan had caused him. In Draper's opinion, the changes were inconsequential, angered Monnet, and wasted the time of several people. Draper concluded that "I am sure you will agree that in the future I shld have at least the nec authority to issue a press release after the policy has been set as it had been in this case." (740.5/8-2852)

[2] Not printed; it informed the Department of State about a tentative agenda for the first meeting of the Schuman Plan Council in early September. (740.5/8-2052)

[3] See footnote 2, Document 91.

CSC Council meeting. In this way we avoided any implication of criticism for SRE's failure to report on a negotiation of such importance.

Three days later, on August 25, Mr. Tomlinson telephoned [4] to explain that he had not wanted to reply to our inquiry until Mr. Draper, who is now his chief, had returned to Paris. He then proceeded to indicate that he had already worked out with M. Monnet plans for U.S. representation to the Schuman Plan and that the High Authority was very pleased with our arrangements. The plans called for a "permanent delegation". Mr. Tomlinson commented that it was his understanding that the arrangements were fully in line with the basic decisions expressed in Topol 88, August 15, which was initialled by Mr. Tomlinson when he was in Washington.

Later the same day Mr. Tomlinson despatched Polto 202 [5] setting forth in somewhat more positive form the information he had given to Mr. Bonbright over the phone. This message replied to Topol 111 of August 22. It also stated that a "draft communiqué" on the inauguration of relations with the CSC was being sent in a separate message.

On the afternoon of August 26 Mr. Tomlinson telephoned to me in regard to the press communiqué. I told him that the separate message referred to in Polto 202 had not been received. He then said that it was at that moment being encoded. He then gave me the outline of the press communiqué and I took notes on the principal points. He said that the talks with M. Monnet were to conclude the following day and he wished to have our clearance at 9:30 Washington time when he would again telephone to me. I replied that clearance with two other agencies, as well as in the Department, was required and that this was too short notice. He said that in that case he would telephone at 11 o'clock. I agreed to do my best.

Polto 209 [6] was received about 6:30 that afternoon and read in rough form by the principal officers concerned. It was not distributed in the Department or elsewhere until the morning of the 27th.

Some time after 10 o'clock on that morning Mr. Bruce telephoned to me and said that Mr. Lincoln Gordon of DMS had raised such fundamental points with him concerning the press release that he felt we should work out a new draft with Mr. Gordon. Mr. Tomlinson did not telephone until 11:30 at which time I was in Mr. Gordon's office and informed Mr. Tomlinson in his presence that I did not yet have clearance for him, but that I was hopeful that within three or four hours I would have a cleared text. I said that with luck I could telephone him in less time.

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[4] For a record of this telephone conversation, see Document 91.

[5] Document 92.

[6] See footnote 3, *ibid.*

While we were still awaiting clearance from MSA, Mr. Tomlinson telephoned Mr. Bonbright at 3:30. The necessary clearance was received during this conversation and the revised text was dictated to Mr. Tomlinson's secretary at this time (see my Memorandum of Conversation of August 27 on this subject [7]).

With respect to Polto 227, to my knowledge no one at any time indicated to Mr. Tomlinson that his draft was acceptable to Washington. I can not understand his reference to clearance "seven hours later" as there was no such interval between any of Mr. Tomlinson's four telephone calls to Washington on this subject. Presumably he is referring to his two calls on August 27 which were four hours apart. I do not agree either with the statement in Polto 227 that the changes made in Washington were inconsequential nor would Mr. Gordon, who raised fundamental objections to the Paris draft, agree with this. In fact, in comparison of the two drafts when read in conjunction with Topol 88, clearly indicates important differences of substance. I would agree that the changes had no effect on newspaper stories because SRE had already discussed their draft with M. Monnet before they cleared it with Washington, and either M. Monnet or SRE let its substance reach the press; likewise, before Washington had an opportunity to clear the text.

If M. Monnet was annoyed and SRE was embarrassed, the remedy is to conduct our business in the future in the proper manner, not to give SRE authority to issue press releases without clearance, as is suggested in Polto 227. This incident demonstrates that even after policy has been set, clearance is necessary because otherwise deviations from that policy would occur.

J. GRAHAM PARSONS

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[7] *Supra.*

No. 98

740.5/8-3052: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State [1]

CONFIDENTIAL LONDON, August 30, 1952—2 p. m.

1201. Deptel 1334, August 25, [2] and related tels. Conversation at various levels FonOff bear out impression that Monnet gives re mutually satisfactory Brit attitude on Council of Europe and six-nation groupings Brit obviously worked hard to get Monnet's confidence and good will but are still distrustful of him and doubtful that he will meet them halfway in working out integration problems and relationships.

Brit appear to view Eden proposals as very flexible formula for providing some general umbrella for all integration activities and express concern only over matters which seem to threaten this vague principle. They were, for instance disturbed over Monnet–Paris differences over use of Council of Europe facilities for first CSC assembly mtg as they felt Monnet's position prejudiced CSC assembly's ability to make its own decision on extent to which it wld use C of E facilities. They are quite satisfied, however, with present Monnet–Paris agrmt which Paris has apparently referred to ministers *ex post facto*. That secretarial arrangements for first mtg will be under direction of seven member group composed of Paris and reps of six CSC nations.

Brit state they are quite happy about French-Italian proposal [3] on polit authority and feel that if not "sabotaged" it will provide satisfactory basis for action.

Monnet talks with Makins were in rather general terms and details of Brit association remain to be worked out by Brit (Weir) delegation after it arrives Luxembourg next week.

GIFFORD

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[1] Repeated to Paris.

[2] Not printed; it requested information from the Embassy concerning Foreign Office views on the Eden proposal. (740.5/8-2052)

[3] For the text of this proposal, see Document 86.

No. 99

740.5/9-352: Telegram

The United States Special Representative in Europe (Draper) to the Department of State [1]

CONFIDENTIAL PARIS, September 3, 1952—10 p. m.

Polto 252. 1. I was received yesterday by High Authority in company with Porter, Breithut and Tomlinson.

Monnet made brief statement of welcome in presence of press. He referred to support given by Europe to United States of America at time it was created and stated that United Europe in the making needs friends and support now just as we did then. Monnet concluded with following statement: "We do not intend to build up a European continent separated from other nations. We wish on contrary that new Europe be open to entire world. The association of United States with European community should constitute best proof of our mutual wish to avoid any idea of separation or isolation."

I made brief reply accepting High Authority's welcome and commenting that in these days we were witnessing not only raising of opening curtain on coal and steel community but also the beginning of the United States of Europe, and that this development held great promise both for peoples participating in the community and for the entire world as well.

2. In afternoon we held brief joint meeting with High Authority. Most of the principal problems of common interest were briefly touched on but question of possible US assistance was not brought up. Discussion was largely devoted to statement by Monnet concerning working relations between US and High Authority and UK and High Authority. Monnet said High Authority had been able to give this question only preliminary consideration but that all members endorsed idea that procedure should be found which would make possible full and frank discussions at very early stage of High Authority's consideration of problems of mutual interest. Such consultations should be on informal basis so that participants would be able to modify their views in process of seeking solutions most appropriate for all concerned. Monnet said Sir Cecil Weir had fully supported this approach.

I replied that we were prepared to work with High Authority in whatever way it thought useful. We had intentionally kept our plans for representation flexible so that we could determine methods of cooperation and need for staff on the basis of experience.

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

Monnet said he expected High Authority to be involved for some time in setting up institutions and in other organizational problems, and that High Authority also had great deal of thinking to do on questions of policy and implementation. Accordingly he had told British it would be difficult to begin any substantive conversations with them before end of September. He expected High Authority could only begin preliminary talks with US on substantive matters at same time. He of course expected that we and British would continue to keep in closest touch with High Authority during interim period.

3. Sir Cecil Weir later confirmed to me his govt's decision and his own strong personal desire to help in every way "to make this enterprise succeed." He repeatedly referred to CSC as offering more hope for Europe than any development in postwar period and as perhaps most important event in Europe in last hundred years. He said that working with CSC was only govt position for which he would have gone back on his previous decision to work in private business. Sir Cecil expressed satisfaction with calibre of members of High Authority and commented favorably on their evident desire to make CSC work along lines of principles stated in CSC treaty.

4. High Authority's difficulties with Jacques-Comille Paris (SecGen Council of Europe) over arrangements for first meeting of Schuman Plan Assembly (Polto 174, Aug 26 [2]) have not yet been resolved. Meeting was called a few days ago of representatives of High Authority and Blamont's group of secretaries of national parliaments with reps of Council of Europe Secretariat to make final arrangements; latter, however, did not turn up for meeting. Blamont's group has therefore had to proceed with plans on basis providing their own services and meeting in separate hall at Strasbourg. I understand that Giacchero and Kohnstamm of High Authority are going to Strasbourg Sept 4 to make new attempt to settle matters with Paris on basis more conciliatory telegram which High Authority received from him today. [3]

According to High Authority Vice President Etzel, Paris actions are making governments and interested Parliamentarians very aware of the difference between Council of Europe Consultative Assembly and Common Assembly of the CSC which has real powers, and are strengthening their determination to make absolutely certain that CSC Assembly keeps its powers and independence.

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[2] Presumably a reference to Document 94, which was repeated to London as telegram Polto 174.

[3] According to telegram Polto 266 from Paris, Sept. 5, final agreement was reached during the conversation under reference concerning arrangements for the first meeting of the Coal and Steel Community Assembly. (740.5/9-552)

5. During my stay, Minister Mesta and I called on Luxembourg Foreign Min Bech. It was clear from his comments he is spending a great deal of time on "this great adventure of the CSC." Bech underlined importance of CSC for Luxembourg because of dominant role which steel industry plays in Luxembourg economy; he was reassured by the presence of High Authority in Luxembourg which would make it possible for these responsible men to have a real sense of the impact of their decisions on Luxembourg. Bech also stated that Adenauer is taking considerable personal interest in forthcoming meeting of Schuman Plan Council of Mins. Adenauer had proposed that Ministers as well as High Authority attend first meeting of CSC Assembly in Strasbourg; he had suggested that Mins meet in Luxembourg through afternoon of Sept 10 and then take plane to Strasbourg for opening session of CSC Assembly that evening.

DRAPER

No. 100

740.00/8-1652: Telegram

The Secretary of State to the Embassy in France [1]

SECRET WASHINGTON, September 4, 1952—7:55 p. m.

1273. For Emb and SRE. Ref Paris Embtel 1015, Aug 16, rptd info London 199, Bonn 157, Rome, Brussels, The Hague, Luxembourg unnumbered. [2]

1. Dept wld appreciate further info present status US relationships with Schuman Plan Assembly when it or its comites are discussing Eur Polit Community.

2. Dept does not share Paris concern at omission specific ref to US from Fr-Ital draft (re para 1 Embtel 1015 Aug 16) as draft clearly principally concerned with Council of Eur relationship. We had assumed from earlier tels and discussions with Tomlinson that we were all in agreement that relationship with Eur Polit Community discussions shld, at this stage, be entirely informal. We also believe that sufficiently good relationships with key persons have been developed so that there shld be adequate opportunities for continuing

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[1] Drafted by Camp, cleared with Parsons, Bonbright, Perkins, Baum, Gordon, and Riddleberger, and repeated to London, Rome, Bonn, Brussels, The Hague, and Luxembourg.

[2] Document 87.

and close following of developments. Therefore we do not believe it desirable, as suggested Paris tel, to raise question of official US representation either with Fr or with others such as Brit or Itals.

3. However, if Schuman Plan FonMins or Assembly, without any prompting from us, feel that presence US observer in official capacity wld have favorable symbolic significance, we wld of course be glad give consideration to such suggestion altho there are obvious psychological and other disadvantages as well as advantages to official US representation.

4. We agree with you that shld US have official observer, representation shld come from Exec Branch. In this event believe omission any ref to US in Fr-Ital proposal might facilitate US, as only non-Council of Eur member, having form of representation differing from other countries.

5. MSA and DMS concur.

ACHESON

No. 101

740.00/9-752: Telegram

The Chargé in France (Achilles) to the Department of State [1]

SECRET PARIS, September 7, 1952—6 p. m.

1453. Subj: EPC. Ref Deptel 1273, September 4. [2]

We confirm our preference that US contact with discussions on Eur Polit Community be informal. In accordance with Topol 88 [3] and discussions with Merchant and Tomlinson in Washington, we plan to follow EPC developments through informal Emb-SRE group. Bonn is now designating someone to be available here part-time to work on EDC, CSC and EPC problems. Officers available in the SRE and Emb on part-time basis are Tomlinson, Koren, Cleveland and Fisher. Group will be coordinated to avoid duplication of contacts and reporting and special care will be taken for US officials to remain in background. We would expect that interested Eur officials and Parliamentarians will soon recognize this group as informal point of contact with US in same way as observer relationship was established with Schuman Plan. These plans may have to be adjusted of course once decisions are taken on respective participation of govt officials and Parliamentarians in EPC discussions.

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] *Supra.*

[3] Document 85.

We continue to be concerned, however, with facts that Fr and other govts are proceeding in negots on EPC without consulting us in any way. Decisions to be taken on procedures and substance EPC proposals could have very important repercussions, not only on timing on EDC and contractuals and also on public attitude toward them and decisions may in addition lead to need for basic changes in contractuals themselves. Leaving procedures for US observing and reporting aside, we must find appropriate ways to participate directly with govts concerned on matters importantly affecting our policies toward Ger, Eur and Atlantic communities before decisions are taken by them.

Fr-Ital memo [4] to give CSC assembly responsibility for drafting treaty for polit community is definitely to be discussed at Luxembourg Council of Mins meeting. No one seems to be very pleased about Fr-Ital memo, but to our knowledge no official attempts have been made to modify it as a basis for discussion.

We have not discussed question of US observer relationship even informally with Eur dels. We understand that Dutch attitude may be rather negative toward taking any action in the polit field at this time, and that they will press Fr for commitment that econ integration must take place along with polit integration. Brit has also sent a new memo to each govt about Eden proposals which seems in conflict with Monnet's conversations with Brit in London and in Lux. We will cable separately on these two developments. [5]

SRE concurs.

Achilles

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[4] For the text of this memorandum, see Document 86.

[5] No telegram was found reporting on the Dutch attitude toward integration; a report concerning the British memorandum, which was given to Hallstein on Sept. 5, was sent to the Department of State in telegram 1452 from Paris, Sept. 7. (740.00/9–752)

No. 102

740.00/9–1052: Telegram

The Minister in Luxembourg (Mesta) to the Department of State [1]

CONFIDENTIAL LUXEMBOURG, September 11, 1952—1 a. m.
PRIORITY

25. From Tomlinson. Subj is Schuman Plan and Eur Polit Community.

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[1] Repeated to London, Paris, Bonn, and Strasbourg. Apparently some difficulty in transmission necessitated a repeated cabling of the message, once at 4 p. m. on Sept.

Continued

1. Schuman Plan Council of Mins met yesterday morning and afternoon in Luxembourg. First session devoted to adoption rules of procedure and appointment Secy of Council, as well as certain tech decisions on Schuman Plan matters. Suetens was appointed to represent six govts in preparation GATT waiver; heard Spierenburg will also work with 6-man comite of experts on preparations for negots with third countries.

2. At first afternoon session Monnet made extensive communication to Mins on work of High Auth to date and plans for future. He also reported on relations which had been established with US and UK and explained difficulties with Council of Eur secretariat re plans first mtg CSC Assembly. Monnet's report well recd by Mins and High Auth was congratulated on work accomplished.

3. Mins then passed to discuss Fr-Ital proposal re polit authority, which they approved in principle in session lasting less than half hour. Also approved in principle Dutch suggestion that govts shld establish guidelines re problems which Assembly shld take into account. Matter then referred to drafting comite to prepare final proposals for Mins mtg today.

Drafting comite met late last night. Main issue was between Dutch reps who wished convoke dipl conf to establish terms of reference for Assembly before Assembly cld start to work; and Fr, Gers, and Itals who opposed delay and maintained that govts cld not dictate to Assembly. While we have not yet seen final proposals, we understand agrmt reached on compromise whereby govt reps wld participate actively with Assembly and its comites in drafting statute for polit community.

4. Immed after initial session this morning, Mins will depart for Strasbourg to attend session mtg Schuman Plan Assembly.[2] We will report more fully from Strasbourg on council mtg, in particular re: (a) final decision of Mins on polit authority; (b) discussion at Mins mtg re polit authority and recent Brit note on Eden proposal, tax conversations with various Mins on these subjects; (c) details of Monnet's communication to Mins on HA work; and (d) tech decisions of Mins on Schuman Plan matters.[3]

MESTA

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10 and then again on Sept. 11 at 1 a.m. Internal evidence suggests that this message was sent on Sept. 11.

[2] For summaries of the first session of the Schuman Plan Common Assembly, see Documents 105 and 106.

[3] These subjects were discussed more fully *infra* and in Document 104.

No. 103

740.00/9–1152: Telegram

The Consul at Strasbourg (Andrews) to the Department of State [1]

CONFIDENTIAL STRASBOURG, September 10, 1952—noon.

44. From Tomlinson. Subject is European political community.

Fol is final text of resolution adopted this morning by Foreign Ministers six Schuman Plan countries regarding European political community: [2]

Begin Text.

Considering that final objectives of six governments has been and remains to arrive at creation of as broad as possible a European community;

Taking note of fact that at request of Italian Government there was inserted in treaty constituting European Def Comm signed May 27, 1952 an article 38 whose purpose was to give Assembly of said community task of studying creation of new Assembly elected on democratic basis which could constitute one of the elements of an eventual federal or confederal structure based on principle of separation of powers and including in particular bi-cameral representative system;

Recalling that in its resolution number 14 adopted May 30, 1952, Consultative Assembly of Council Europe asked that governments of member states of Eur Def Comm should designate, taking account of most rapid procedure, Assembly which should be charged with working out statute of supranational political comm open to all member states of Council of Europe and offering possibilities of association to such of these states as did not become members of this community;

Conscious of the fact that creation of a European political comm of federal or confederal structure is tied to establishment of common bases of economic development and to a fusion of essential interests of member states;

The six Ministers of Foreign Affairs of countries participating in Coal and Steel Comm, meeting in Luxembourg Sept 10, 1952, have taken following decision, which takes account of above considerations as well as of their desire to hasten study of proposed draft treaty, and to assure to that draft the maximum of authority:

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[1] Repeated to London, Paris, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] For a summary of the discussion of this resolution by the Schuman Plan Ministers, see telegram 46 from Strasbourg, Sept. 10, *infra*. For a slightly different translation of this resolution, see *Documents* (R.I.I.A.) for 1952, pp. 214–216.

a. The members of Coal Steel Assembly are invited to work out draft treaty constituting a European political comm, taking as a basis the principles of Article 38 of EDC Treaty and without prejudice to provisions of that treaty. To this end, members of Assembly, grouped by national delegations will co-appoint from among delegates to Consultative Assembly who are not already members of Coal Steel Assembly, as many additional members as may be necessary to reach a membership equal to that provided for each country in assembly of EDC.

b. Assembly thus composed and completed will meet in plenary session at seat of Council Europe. It may also meet in committee sessions.

It will determine conditions under which representatives of other countries and in particular of those countries which are members of Council Europe, may be associated with its work in capacity of observers.

It will make periodic reports to Consultative Assembly on state of advancement of its work.

c. Ministers of Foreign Affairs meeting is [*as*?] Council of Ministers of CSC will be associated with work of Assembly under conditions which shall be fixed by common agreement.

In order to facilitate this work, they will formulate questions to be submitted to Assembly which will deal with such subjects as: Fields in which institutions of Europe political comm will exercise their powers;

Measures necessary to assure a fusion of interests of member states in these fields;

Powers to be granted to these institutions.

Ministers will make periodic reports to committee of ministers of Council of Europe.

d. Within six months from convocation of Coal Steel Assembly, that is on Mar 10, 1953 results of studies provided for above shall be communicated to Assembly of Europe Def Comm which is charged with tasks mentioned in Article 38 of EDC Treaty, as well as to Foreign Ministers of six countries.

e. The governments declare that they have been expressly inspired by proposals of British Government whose purpose is to establish as close as possible relations between future political comm and Council Europe. It is for this purpose that working out of statute of this comm shall be undertaken and pursued in permanent liason with organisms of Council of Europe.

f. Consultative Assembly of Council Europe shall be informed of above decision.

g. Procedure provided above does not in any way prejudice treaty constituting Europe Def Comm.

End Text

Adenauer will present this decision to CSC Assembly at some point during its current session. We are not yet sure whether full text above resolution will be released or exactly what form Adenauer's presentation will take.

ANDREWS

No. 104

740.00/9-1052: Telegram

The Consul at Strasbourg (Andrews) to the Department of State [1]

CONFIDENTIAL STRASBOURG, September 10, 1952—noon.

46. From Tomlinson. Subject is European Political Community.

1. During Luxembourg Minister Meeting we understand Adenauer opened discussion on question of European political community by stating that Ministers were faced with choice of whether to proceed on basis of Fr-Ital memo or on basis of Eden proposals as presented in recent Brit communication to 6 CSC govts. De Gasperi commented that he did not believe Brit note should be interpreted as in direct opposition to Fr-Ital memo. However, he did not consider that there was anything new in Brit position since last meeting when Ministers decided to proceed with discussions on basis of Fr-Ital memo. Adenauer and De Gasperi received full support of other Ministers to go ahead on basis of Fr-Ital proposal.

Dutch FonMin then presented amendment providing that a special conf of Ministers should be held to give specific instructs to CSC Assembly and to list questions Ministers wished explored by CSC Assembly. Dutch amendment obviously designed to insure that Assembly would discuss further economic integration at same time as political integration. Other Ministers accepted principle of Dutch proposal for participation govts, but generally expressed view that work of Assembly should proceed without waiting for further instructions from Mins. Adenauer then appointed drafting group to prepare new draft for approval by Mins.

Entire discussion on this subject lasted less than half an hour and Mins approval of final draft this morning took even less time. Only changes suggested by Mins were to emphasize independence of CSC Assembly from Council of Europe. See Strasbourg's tel 45 [*44*] to Dept for final text. [2]

Modification premitting US to observe was stressed in particular by Germans. In brief conversation with me last evening in presence of Adenauer, Hallstein volunteered in very strong terms that influence of US observers must be present at the discussions to come in same way as that of Brit. If this had not been the case in Schuman Plan and in EDC, these initiatives would not, in his govt's view, have succeeded.

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[1] Repeated to London, Paris, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] *Supra.*

2. Reaction of different dels at Luxembourg to new Brit note (cabled from Emb Paris) were mixed. [3] Germans profess to be very worried about whether Brit intend to support integration of six nations, and interpret note as effort of Brit to confuse and to defeat development by bringing it under control of Council of Europe. Dutch reps, who apparently did not take note very seriously, thought it had been due to confusion in Brit FonOff. Dutch did not believe Brit could be so impertinent as to suggest to a sovereign assembly in which UK did not participate what its secretariat should be, nor did Dutch believe Brit really intended to ask govts to instruct independent Parliamentarians on what their attitude should be about such questions. Dutch could only find explanation by stating that part of Brit Govt did not understand difference between CSC Assembly and Consultative Assembly of Council of Europe. Fr and Itals also apparently did not pay much attention to new Brit note.

3. Schuman seems to be very pleased with quick and clear understanding reached by Mins on this question. In conversation with me after first days session, he explained that quick action was not due to hasty consideration but on the contrary represented full agreement reached after careful review and months of informal talks. He said that Brit had also been given opportunity to consider development carefully. He was confident Brit now fully understood and supported initiative. He stressed repeatedly that Brit understanding and support were absolutely essential. Everyone, he said, was now agreed on need for independent development of six-nation community but linked in the closest association with UK and Council of Europe in manner which would not prejudice this essential independence. Schuman continued that timing of action by six nations had been very appropriate. Definite and clear action by Mins would enable Eden to make his speech to Council Europe fully consistent. Schuman said that he was informed Eden would do this and that Eden would have been in a most difficult situation if six nations had not reached definite decision at this time.

4. Schuman may be too optimistic about understanding with Brit. His confidence seems to be based in part at least on his interpretation of message sent to Monnet by Eden. Paris SecGen of Council Europe talked with Monnet in Luxembourg last weekend and apparently accepted High Authority's view that relations between CSC and Council Europe should be allowed to develop gradually on basis experience acquired in placing Schuman Plan in effect; Paris even suggested that Monnet incorporate this statement in his speech to CSC Assembly as well as some of Monnet's specific ideas

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[3] See footnote 5, Document 101.

for form which eventual CSC–Council Europe relations might take. Following these conversations, Monnet informed Eden through Marjoribanks of his intention to discuss question in these terms and asked for Brit views on grounds he did not wish to say anything which Eden would feel compelled to contradict in forthcoming speech to Council Europe. Eden replied that he "would deprecate drawing a hard and fast line between the Council of Europe and the restricted communities. The conception underlying the Eden proposals is the contrary, that the two reps of bodies should be linked and should grow together. Her Majesty's Govt are anxious that this conception should be accepted from the outset, and it is for that reason that they hope the Comite of Mins in the Coal and Steel Comm will endorse it at their forthcoming meeting.

"As regards secretarial arrangements, the attitude of Her Majesty's Govt is that the Secretariat will be matter for the Schuman Assembly to decide, but it would be consistent with our proposals that the Assembly would in future be serviced by the Secretariat of the Council of Europe."

Schuman apparently interprets this message to mean that British accept idea that two organs are independent but linked, and that British will accept CSC Assembly as having separate and independent Secretariat. Others, including British del in Luxembourg, are not certain. Brit del was quite embarrassed not only because they are unable to clarify British position but because UK Govt communicated directly with govts on strictly CSC matters without informing High Auth through British delegation, and because communication is in direct conflict with statements made by Sir Cecil Weir to CSC High Auth.

There is considerable talk about these developments in corridors of CSC Assembly in Strasbourg. We have had only limited time to form judgment, but our general impression is that majority of members agree with Mins on importance of drawing distinction between CSC and Council Europe but at same time are anxious not to come into direct conflict with British. Whatever decision Assembly takes on Secretariat question, we hope that Eden will accept it as fully consistent with his proposals for association so that this controversy will not continue.

[ANDREWS]

No. 105

740.00/9-1352: Telegram

The Consul at Strasbourg (Andrews) to the Department of State [1]

RESTRICTED STRASBOURG, September 13, 1952—3 p. m.

58. From Tomlinson. Subj is first session of CSC Assembly. [2]

1. Under section 6 of transitional convention, task of first session was to elect officers and adopt rules of procedure. Session was based on draft rules of procedure prepared by Blamont's comite. This remarkably comprehensive doc, which contained not only ordinary rules of procedure in use by Eur natl agrmts, but also number of special provisions required by treaty, provided focus for debates entire session. In its preamble particular emphasis was placed on importance maintaining sovereignty of Assembly within field of its competence and "absolute independence and autonomy in its constitution and functioning, both with regard to other institutions of community and any other natl or internatl body."

This theme was taken up again and again in course of debates.

2. First session was opened by oldest member acting as temporary Pres—Baggiano-Pico. His opening remark emphasized that this was first Eur Assembly with real powers, he paid homage Schuman, Adenauer, De Gasperi, Monnet and Sforza; and defended Counc of Eur, maintaining that it had not been entirely sterile because it had helped give birth to CSC.

3. Assembly appointed credentials comite and officially seated all members after verification.

4. Assembly then appointed 9-man rules comite and charged it with immed action on rules covering election of officers so as to permit immed election. Some objection was made to comite proposal for five vice-presidents on grounds that assuring one officer for each natl del was contrary to supra-national character of this Assembly, but proposal was carried. Term of first officers will expire May 1953.

5. Spaak and Von Brentano (Ger CDU leader) were only candidates for Pres. DeMenthon, who had originally sought job, withdrew early in session, apparently because of criticism that one man cld not hold presidency of both CSC Assembly and Consultative Assembly. This decision may also have been influenced by fear he wld get little support outside of Fr del, and that by splitting vote which

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[1] Repeated to Paris, London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] The official records of the first session of the Schuman Plan Common Assembly, which met in Strasbourg Sept. 10-13, were transmitted to the Department of State in despatch 2 from Luxembourg, Sept. 29. (850.33/9-2952)

wld otherwise go to Spaak, his candidacy wld result in Brentano's election.

Spaak defeated Brentano for Pres on first ballot by 38 votes to 30. While voting was secret and no accurate breakdown is therefore available, comments of members suggest fol breakdown: Spaak had support of Socialists, including Ger, and majority of center and right non-Catholic grps (Liberals, Ital Republicans, etc), as well as of entire Fr del. Brentano's support came almost entirely from Catholic parties which voted for him in a block (with exception of Fr). Ital Catholics, who are most ardent federalists in Assembly, only supported Brentano because of firm instructions from De Gasperi. Despite these instrs, Spaak apparently recd one or two of their votes, as well as one Ger CDU (Gerstenmaier), except for Fr dels split was in gen along party and not natl lines. Fr natl opposition to Brentano was apparently based on three considerations:

a. While Fr would have been willing to accept Ger as Pres Assembly whose functions limited to coal and steel, they did not want a Ger Pres of *ad hoc* Assembly charged with preparing draft of treaty for Eur Polit community.
b. Brentano's recent speech on Saar problem further reduced his personal acceptability to Fr for this task.
c. Spaak's election is symbolic of federalist approach and is interpreted as meaning *ad hoc* Assembly will proceed along lines of policies advocated by Spaak in Consultative Assembly of Council of Europe.

Ger coalition grp has been disappointed because they hoped to have Ger hold one of high offices of CSC community. They are especially annoyed at their social demo compatriots whose votes were decisive.

6. Spaak took chair immed after election.

Following five candidates for vice-pres were elected without opposition: Hermann Puender (Ger CDU) 61 votes; Pierre-Henriteitgen (Fr MRP) 57 votes; George Vixseboxse (Dutch Christian Historical) 56 votes; Allesande Ocasate (Ital Liberal) 49 votes; Jean Fohrmann (Lux Socialist) 42 votes. With seating of vice-pres, Assembly was declared under Eur practice officially constituted.

7. Assembly then heard speeches by Monnet and Adenauer reported in previous messages.[3] Each again emphasized significance of mission of Assembly's tasks first sovereign Eur Assembly on supra-national basis.

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[3] A summary and excerpts from Monnet's speech and a translation of Adenauer's speech were transmittted to the Department of State in telegrams 54 and 55 from Strasbourg, Sept. 12 and 13, respectively. (740.00/9-1252 and 9-1352) The complete text of Monnet's speech was published by the Coal and Steel Community in a phamphlet entitled *Speeches delivered by Monsieur Jean Monnet* (September 1952); a copy of this phamphlet is in Bruce Mission files, lot 57 M 38, "Monnet Speeches."

8. Most of Thurs and Friday sessions were devoted to discussion and adoption of rules of procedure. As Blamont's comite had suggested, Assembly concentrated on rules which were necessary for its immed functioning at this and January session. Certain important questions requiring more study were assigned to a new rules comite which is to report to second session of Assembly in January.

Matters reserved include problems of how long preliminary mandate of members is to last, procedure for handling motion of censure against high auth, modification of means of application of treaty (Art 95 of treaty) and immunities of reps. Draft prepared by Blamont's comite was adopted with few important changes. Most of changes were in the direction of strengthening independence of Assembly vis-à-vis other orgs, in particular High Auth and council. Most of discussion on rules centered around proposal by rules comite to create a single gen comite to deal with High Auth and other outside orgs. Considerable sentiment was shown for immed establishment of a number of comites charged with specific tasks. However, after long discussion it was agreed to postpone settlement of comite problem until January meeting and appoint a temporary 23-man gen comite to act between now and January. Division of members on gen comite will be: France, Ger, and Ital five each; Belgium and Neths three each; Lux two. It was agreed that temporary 9-man rules comite would continue and also act as accounts comite to prepare first budget of assembly.

ANDREWS

No. 106

740.00/9-1252: Telegram

The Consul at Strasbourg (Andrews) to the Department of State [1]

CONFIDENTIAL
PRIORITY

STRASBOURG, September 12, 1952—10 p.m.

57. From Tomlinson. Subject is CSC and EPC. Re Contel 46 to Dept, 27 to Paris Sept 10. [2]

1. CSC Assembly approved rules of procedure this afternoon giving president and vice president authority to appoint secretary and secretariat of assembly. General thinking is that Dutchman shld receive post and name of Deneree, deputy clerk of Dutch Second Chamber, has been suggested. Given Spaak's views on subject, adoption of this rule is interpreted as ending possibility that CSC Assembly and Consultative Assembly of Council of Europe will have joint secretariat.

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[1] Repeated to Paris, London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] Document 104.

2. Marjoribanks, UK observer, still under instructions from FonOff reported reftel, has tried to obtain support for latest proposal of Paris secretary general of Council Europe to have Caracciolo, deputy secretary general of Council Europe, named secretary of Consultative Assembly and also secretary of CSC Assembly. Paris idea was that statute of Council of Europe wld be changed so Caracciolo wld be divested of all responsibility to Council of Europe Council of Ministers. Marjoribanks obtained no encouragement whatsoever. He has reported to London that not only will Monnet, the High Authority, Schuman, Adenauer and the other Ministers strongly resist any action bringing independence of CSC Assembly into question, but this attitude is strongly shared by European parliamentarians. Marjoribanks has urged FonOff that Eden's speech to Council of Europe on Monday [3] shld be drafted in light of this attitude in order to avoid further criticism and suspicion of UK. He believes Monnet's speech [4] warning against any action compromising independence but urging all practical means of associating European community with UK and Council of Europe is accurate reflection of opinions of large majority of interested European officials and legislators.

3. Issue of independence and association will also be potentially explosive when CSC Assembly becomes *ad hoc* assembly under Ministers proposals for drafting treaty for European political community. This may be very soon. Spaak's present plans are for French, German and Italian delegations to co-opt additional three members each from Council Europe membership over week-end and for *ad hoc* assembly to be constituted for this purpose Monday morning. There is considerable pressure, however, to postpone first session of *ad hoc* assembly until early in October.

4. Monnet plans in any case to stay over Sunday to talk with Eden and to be present at Eden's speech to Council of Europe on Monday. Sir Cecil Weir will also be present Monday if CSC Assembly meets then as *ad hoc* assembly.

ANDREWS

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[3] For information concerning Eden's speech which was scheduled to be given on Monday, Sept. 15, see Document 110.

[4] See footnote 3, *supra*.

No. 107

740.00/9-1352: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State [1]

SECRET LONDON, September 13, 1952—noon.

1474. We do not believe Brit CSC policy as described Embtel 1201 Aug 30 [2] is inconsistent with apparent confusion and vagueness Brit attitude as reported Strasbourg tel to Dept 46, Sept 10. [3] We believe Brit have reluctantly accepted that (1) growing European integration is both inevitable and desirable in over-all west interest and (2) Brit cannot participate on supra-natl basis. Their basic approach to prob is therefore to attempt to guide developments so that they have maximum influence with minimum commitments. They apparently think best way to achieve this is to maintain deliberately vague position (they continually stress "flexibility" of Eden plan) even to point of embarrassing their officials in the field. We feel confident, however, that they will make the best of any arrangements, even though they do not obviously and unfairly restrict their participation in developments on basis above two fundamental points.

GIFFORD

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[1] Repeated to Paris and Strasbourg.

[2] Document 98.

[3] Document 104.

No. 108

740.00/9-1552

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Under Secretary of State (Bruce) [1]

CONFIDENTIAL WASHINGTON, September 15, 1952.

Subject: Recent Schuman Plan and European Political Community Developments

Meeting of the Coal and Steel Community—Committee [Council] of Ministers

On Tuesday, September 9, the six Foreign Ministers of the Schuman Plan countries met in Luxembourg. [2] At this meeting the

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[1] Drafted by Preston and cleared with Camp and Bonbright.

[2] For a summary of this meeting, see Document 102.

Franco-Italian proposal to have the Schuman Plan Assembly draft a treaty for a political authority was presented. The major issue which arose during the discussion of the plan concerned the desire of the Dutch to have a diplomatic conference meet to establish the terms of reference of the Schuman Plan Assembly prior to the Assembly's first session on the political authority question. A compromise was finally worked out whereby the members of the Governments may participate in the deliberations of the Assembly and its committees in a manner to be determined later by agreement between the Ministers and the Assembly.

The Schuman Plan Assembly

The Schuman Plan Assembly, which met for the first time on Wednesday, the tenth of September, [3] agreed to undertake the drafting of a treaty for a European Political Authority and decided to meet on Monday, September 15 (a) to appoint the nine additional Assembly members from France, Germany, and Italy which are necessary under the proposed plan, (b) to appoint a working committee which would draft a first report on establishing the political community, and (c) to agree on relations with the Council of Europe and invite representatives from non-member countries to act as observers. The Assembly has not yet agreed as to its next meeting date; however there is talk of October and January. The work on the draft treaty is to be completed by March 1953.

The Schuman Plan Assembly elected Paul Henri Spaak President of the Schuman Plan Assembly. The Assembly has set up an Organizing Committee which is to study problems of organization of the work of the Assembly and the composition and activities of the necessary committees. The Germans did not press for the Chairmanship of this Organizing Committee but were willing to accept the Vice-Chairmanship of this Organizing Committee, leaving the Chairmanship to Paul Reynaud. This is assumed to have been done in order to clear the way for the Germans to acquire the chairmanship of the committee which is to draft the first report on the European Political Community.

Secretariats and Relations with the Council of Europe

At the ministerial meeting in Luxembourg, it was decided that the Council of Ministers should have its own secretariat separate from the High Authority and Secretariat of the Assembly. During discussions there was no reference to the earlier proposals of Mr. Eden that the Council of Ministers of the Coal and Steel Community and the Committee of Ministers of the Council of Europe have the same secretariat.

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[3] For a summary of the meeting of the Assembly, see Documents 105 and 106.

The Coal and Steel Community Assembly authorized its President and Vice President to appoint its secretary and Secretariat. This has been interpreted to indicate that the Coal and Steel Assembly and the Consultative Assembly of the Council of Europe will not have a joint secretariat as had been proposed by Mr. Eden and for which J-C Paris, Secretary General of the Council had been pressing.

It is not yet known what Mr. Eden will say to the Consultative Assembly of the Council of Europe regarding his earlier proposals on relations between the Council of Europe and the Schuman Plan when he addresses the session this week. However, it is clear that one of his ideas, that of having the Secretariat of the Council of Europe service the Council of Ministers of the Schuman Plan and the Schuman Plan Assembly has been firmly rejected by both these organs. M. Monnet in his opening speech to the Assembly made it very clear that, although he expected that the Schuman Plan would work out certain relationships with the Council of Europe as the Community develops, the two organizations should not become in any way "mixed". The Assembly confirmed this further by stating in the preamble to its rules of procedure that it has "absolute independence and autonomy in its own constitution and functioning both with regard to other institutions of the community and any other national or international body." Although it is not yet clear what the outcome of this week's discussion in Strasbourg will be, there seems to be a growing tendency to water down rather than to strengthen the links between the Coal and Steel Community and the Council of Europe.

No. 109

Editorial Note

At the closing meeting of the First Session of the Schuman Plan Common Assembly on September 13, Spaak outlined the task of the *Ad Hoc* Assembly which had been formed in order to draft a report concerning the creation of a European Political Community. The *Ad Hoc* Assembly, comprising 87 members (making it identical to the proposed EDC Assembly), was scheduled to meet in Strasbourg on September 15. (Telegram 64 from Strasbourg, September 13; 740.00/9-1352) When the *Ad Hoc* Assembly met under Spaak's presidency, it decided to form a 26-member Constitutional Committee to draft the first report. It was also agreed that observers from other Council of Europe countries were to be admitted to the meetings of the *Ad Hoc* Assembly and the Constitutional Committee. (Telegrams 68–70 from Strasbourg, September 15; 740.00/9–1552)

The Constitutional Committee (also referred to as the Pre-Constituent Committee) held its organizational meeting in Strasbourg on September 22 under the chairmanship of Von Brentano and established a ten-member working group which had the responsibility of preparing a work plan for the Committee's next meeting on October 23. (Telegram 86 from Strasbourg, September 22; 740.00/9–2252)

No. 110

Editorial Note

The Fourth Ordinary Session (Second Part) of the Consultative Assembly of the Council of Europe met in Strasbourg from September 15 to September 30. The session began with a speech by Eden, which Schuman later described as indicating that Eden had "come all the way". In Schuman's opinion, Eden's Strasbourg speech constituted real British support which would have a favorable effect on the development of the European Community. (Telegram 1706 from Paris, September 18; 740.00/9–1852) The text of Eden's speech was transmitted to the Department of State as enclosure 9 to despatch 2 from Luxembourg, September 29. (850.33/9–2952)

During the last day of the meetings in Strasbourg, the Assembly approved Resolution 23 concerning the coordination of the work of the Consultative Assembly of the Council of Europe with that of the *Ad Hoc* Assembly of the European Coal and Steel Community (see the editorial note, *supra*), as well as Opinion 3 which suggested the best means of giving effect to the Eden proposals. For a record of these meetings, see the Council of Europe, Consultative Assembly, Fourth Ordinary Session (Second Part), September 15–30, 1952, *Minutes of Proceedings* (Strasbourg, 1952); for statements made by the delegates during these meetings, see the Council of Europe, Consultative Assembly, Fourth Ordinary Session (Second Part), September 15–30, 1952, *Official Report of Debates* (Strasbourg, 1952). For a brief summary of this Fourth Session, including the texts of the recommendations, resolutions, and opinions approved during the meetings, see Great Britain, Foreign Office, *Report on the Proceedings of the Fourth Session of the Consultative Assembly of the Council of Europe* (Command Paper 8701) (London, 1952).

No. 111

740.00/9–1852: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PRIORITY PARIS, September 18, 1952—6 p. m.

1710. Re Strasbourg 69, 46 and 44 to Dept, [2] Embtel 1453, Sept 7; [3] Deptel 1273, Sept 4; [4] Topol 88, Aug 15. [5]

1. Article B of Foreign Mins resolution inviting CSC assembly to draft treaty for EPC Wash modified in Luxembourg for express purpose of enabling US observers to attend. Invitation was accepted by assembly without modification. According to Monnet and advisors to Spaak, Spaak and Vice-Presidents of CSC assembly in acting on Art B on Monday, Sept 15, decided to invite US to have observers attend at assembly and comite discussions. [6] Spaak preferred reference not be made to this matter during open assembly session Monday.

First, he thought such quick action might give impression that EPC was developing under US pressure and supervision.

Second, he and other officers were unclear as to whether US shld have right of limited participation such as that given to parliamentary observers from Council of Europe countries.

2. In conversation with Tomlinson in Luxembourg, German and Italian officials particularly pressed point of US observers. Germans expressed desire for US to participate on same basis as British. Tomlinson replied along lines of Deptel 1273, Sept 4, and Embtel 1453, Sept 7, discouraging any thought of observers from US legislative branch and suggested desirability of delaying decision, particularly on giving formal status to US observers at this time. He made same observations in Strasbourg to Monnet and to Spaak's informal advisors, adding that in his view US Govt would consider it embarrassing for its observers to have right of participation in any way in work of assembly, including oral and written communication.

3. Marjoribanks indicated that UK was still undecided as to whether they would wish to attach govt officials as advisors to UK

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, Luxembourg, and Strasbourg.

[2] Telegram 69 is not printed, but see Document 109. For telegrams 46 and 44, see Documents 104 and 103, respectively.

[3] Document 101.

[4] Document 100.

[5] Document 85.

[6] For information concerning the Sept. 15 meeting of the *Ad Hoc* Assembly, see Document 109.

parliamentary observers or whether they would wish to have govt observers separate from parliamentary observers. He said Eden seemed to prefer two separate sets of observers. Tomlinson suggested to Monnet that it might also be preferable to delay decision on nature of invitation to us until arrangements with UK were completed.

4. After talk with Spaak late Monday, Sept 15, Monnet said officers of assembly would probably issue invitation for US to have officials attend sessions as observers without participation in any way in discussions or work of assembly. He said that Spaak also wished to extend invitation in a manner which would not set a precedent for countries other than US and UK to have govt observers. He thought this problem might be avoided by tying invitation to US and UK representation to coal and steel community. Spaak may also prefer such an arrangement because of his insistence that *ad hoc* assembly be considered as emanating from CSC assembly. Tomlinson replied to Monnet that manner of invitation need not change US Govt's intentions to follow developments with small group described in Topol 88 and Embtel 1453.

5. We will continue to follow EPC developments informally but question of US representation will continue to arise and we may be asked to give more definite guidance on arrangements US would accept for formal observation if invited. We will discuss further with Perkins in Paris after meeting in London. [7]

6. Koren will go to Strasbourg to report on *ad hoc* assembly comite mtg scheduled for Sept 20 and will stay over following week to report on subsequent developments. He will also be available to help on Council of Europe developments. Communications on CSC and EPC developments will be kept in separate series. We have discussed this message with Amb Draper and Amb Merchant and they approve.

DUNN

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[7] Assistant Secretary of State Perkins was scheduled to visit Paris following the London Ambassadors meeting planned for Sept. 24–26; for information concerning the Ambassadors meeting, see Document 113.

No. 112

Bruce Mission files, lot 57 M 38, "Briefing Documents"

Memorandum by the Acting United States Representative to the Coal and Steel Community (Tomlinson) to the United States Special Representative in Europe (Draper)[1]

SECRET [PARIS,] September 20, 1952.

Subject: Eden Plan and Council of Europe

1. Eden's speech to the Council of Europe[2] has been favorably received in Paris, Strasbourg and Luxembourg as a major turning point in British policy in favor of continental union within a strengthened Atlantic Community.

A. Eden accepted existence of "two main trends toward European unity—the supranational and the intergovernmental."

B. Eden made clear that "Eden proposals" are not intended to prejudice sovereignty and independence of CSC, EDC, and EPC; no reference to their being "within framework of" or subordinate to Council of Europe.

C. Eden emphasized need to link supranational and intergovernmental trends as "a very important part of the complex of relations within the Atlantic Community. Freedom in the West rests on the conjunction in harmony and strength of the British Commonwealth, Europe and the United States."

2. Eden's speech suggests that British will now support strongly more effective roles for both Council of Europe and NATO. The stronger the six-nation grouping becomes the more active the British will be in making influence and presence felt both in direction association and through links in inter-governmental organizations.

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[1] A copy was also sent to Achilles.

[2] See Document 110.

No. 113

Editorial Note

The Ambassadors and representatives from their staffs in the United Kingdom, France, Soviet Union, Italy, and the Federal Republic of Germany, as well as members of the Office of the United States Special Representative in Europe, met in London September 24–26 to discuss problems of mutual interest, particularly the stresses and strains in the organization of European defense planning. The officers were joined by a delegation from the Department of State, led by Under Secretary of State Bruce and Assistant Secretary of State Perkins. For a record of these meetings, which included a discussion of United States objectives with respect to European integration and United States policy toward the Community of Six, see Document 303.

No. 114

740.00/9-2752: Telegram

The Secretary of State to the Consulate at Strasbourg [1]

SECRET WASHINGTON, September 27, 1952—5:57 p. m.

27. 1. Dept believes for present US reps Strasbourg should continue avoid being drawn into power struggle in C of E re Eden proposals, [2] and should continue take position that although wish other countries have close relations with supranational communities believe it important that this be done in such a way as to avoid any watering down supranational principles. Ref Strasbourg's 102, Sept 26. [3]

2. Dept is nevertheless somewhat concerned lest resolution elaborating Eden proposals by giving observers right to take part in proceedings of CSC assembly might in fact tend create brake on evolution of CSC assembly. However we believe it would be a mistake and probably ineffective as well for us to urge modification of present text prior to basic and high level discussion with British on nature their and our relationship to emerging Community of Six.

3. Before undertaking such discussion Dept wishes review situation further with Bruce and other agencies on Bruce's return Monday from Ambassadors' meeting [4] where question of relationship and alternative courses of action scheduled for discussion.

4. Although realize relationships between Council of Europe and CSC would not be improved by CSC Assembly's failure to agree to implementation C of E resolution we assume that pattern of relationship will not become finalized until further detailed discussion in CSC assembly.

ACHESON

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[1] Drafted by Camp, cleared with Bonbright and Calhoun, and repeated to London, Paris, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] This is a reference to the debates which took place during the Fourth Ordinary Session (Second Part) of the Consultative Assembly of the Council of Europe; see Document 110.

[3] Not printed; it summarized a conversation between Paris, Secretary General of the Council of Europe, and Koren concerning the debate in the Fourth Ordinary Session over the Eden proposals. (740.00/9-2652)

[4] For information concerning the London Ambassadors meeting, Sept. 24-26, see the editorial note, *supra*.

No. 115

840.00/10-152

The Ambassador in Belgium (Cowen) to the Under Secretary of State (Bruce)

PERSONAL AND CONFIDENTIAL

BRUSSELS, October 1, 1952.

DEAR DAVID: There are several problems which have been causing me increasing concern during the time I have been here, and some of them are the following. I should be deeply grateful for whatever enlightenment can be given to me.

One is that in creating the new Germany (and similar comment would apply in the case of Japan), a whole new set of economic forces have been turned loose which could, as time goes on, rapidly accelerate the difficulties of the Commonwealth, and particularly of the relationships between the Commonwealth and the Western European countries. New German competition is already beginning to be seriously felt. It is quite possible that if some appropriate adjustments and safeguards are not taken, this might seriously affect the development of some of the European integration institutions, specifically the Schuman Plan. While this has not perhaps come under general observance, it seems to me quite unlikely that the other countries in the Schuman Plan will continue to go ahead with the one-market idea unless German competition can be kept within reasonable bonds. It seems quite likely that similar considerations apply to the development and extension of Japanese competition, particularly in the Far East, but also further afield.

Are we doing enough about planning for the replacement of our own strategic materials which are being so rapidly used at present, not only for our own but for European and other needs? Specifically, as an integrated Europe takes place, as seems now to be fairly rapidly happening, are we safeguarding sufficiently the raw material situation in these countries' overseas territories? I know, for instance, that there has been considerable uncertainty as to whether it was necessary or indeed even desirable for the MSA to have a Materials Development Program in overseas territories in view of the establishment of DMPA. It occurs to me to inquire whether we shouldn't be taking advantage of every channel to insure not only an adequate supply of strategic materials for defense purposes, but also to develop with sufficient rapidity and in sufficient volume the supply from other areas of commercial raw materials to prevent the further exhaustion of our own and to insure adequate sources of supply to the extent that our own may be exhausted to a point insufficient to supply our own needs.[1]

The third is, what are likely to be the effects on our international, commercial and other economic relationships, particularly with Europe, if a European federation of the Schuman Plan or NATO countries should become effective as rapidly as now seems possible? Also, would these economic effects be greatly different if such a federation should include the United Kingdom alone, or the entire British Commonwealth? Any such federation should settle some of our most immediate international problems such as the extension of economic and possibly even military aid since presumably such a federation would be able to stand on its own feet economically and possibly militarily, but it would certainly pose other problems such as very large and important adjustments in our import-export relationships.[2]

Sincerely,

MYRON

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[1] For documentation concerning U.S. policy regarding strategic materials, see vol. I, Part 2, pp. 817 ff.

[2] For Bruce's reply, see Document 125.

No. 116

740.00/10-252: Telegram

The Ambassador in France (Dunn) to the Department of State[1]

SECRET PARIS, October 2, 1952—5 p. m.

2021. Subject is European Political Community.

1. Monnet's views on best way to proceed to creation EPC have not changed substantially from those previously reported. He would like to see *ad hoc* assembly draft a treaty creating EPC on basis of what exists and what is already under way. National parliaments in Europe should not be asked at this time to transfer new sovereignty in any sector beyond coal and steel and defense. He insists the national parliaments are not ready to approve a treaty giving to a yet untried European parliament unlimited power to develop a full European federation as it sees fit. However, the *ad hoc* assembly is not in its view the best instrument to draw up a complete and final constitution.

2. Monnet points out that CSC and EDC treaties provide for exercise of sovereignty through a CSC executive, an EDC executive,

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

common court, and a common assembly made up of delegates from national parliaments. The next step shld be to improve and complete this institutional structure. The obvious gap is the lack of a directly-elected European parliament. The treaty to be drafted by the *ad hoc* assembly should, therefore, include provisions for Eur elections, in early 1953, if possible, for a lower house with, e.g., one representative for each 500,000 citizens. The present CSC–EDC Assembly would become the upper house, thus completing the bicameral structure of the new European Parliament. Present membership would probably be changed to give Benelux more delegates in the upper house than they now have in CSC Assembly.

3. Second major task of the *ad hoc* assembly would be to include in the treaty provision empowering the new European Parliament to name a European executive to take over the executive authority in CSC and EDC. The European executive and the new European parliament would be given full powers to change the organizational aspects of CSC, and EDC in order to adapt the CSC and EDC institutions to the new federal structure (for example, powers and functions of CSC Council of Ministers would be divided up as appropriate among the EPC institutions). Monnet also acknowledges that the new European parliament should probably have some powers to improve the provisions on finance in CSC and EDC treaties and on disposition and expansion of defense forces in EDC treaty, but he clearly does not want to raise question of transferring new sovereignty from the national parliaments beyond defense and coal and steel sectors. The way to permit such modification would be to consider provisions of CSC treaty and EDC treaty as the first EPC legislation. The CSC and EDC treaties could then be modified through the customary legislative process after the EPC treaty was ratified. In this way the *ad hoc* assembly would not have to spell out necessary changes, but would only establish limits on power of EPC parliament to do so later.

4. Monnet would have the proposed EPC treaty provide that transfers of sovereignty in new sectors are prepared and proposed by the new European parliament, but that all such proposals must be ratified by existing national parliaments before they would become effective. He recognizes, of course, that work would continue on the agriculture pool, health pool, transport pool, and soon, even if the approach he suggests were agreed upon. It is here that Monnet comes into conflict with Dutch views and with proposals being made by European Federalist movement. Dutch desire a definite commitment on the transfer of sovereignty in the economic field, and particularly in agriculture, before they agree to the new political arrangements sought by the French. Federalist proposals go much beyond Monnet in two respects. First, they would transfer

sovereignty immediately in fields of foreign affairs and finance, and would transfer broad powers to deal with questionable mobilization and support of defense forces. Second, they would empower the new European parliament to take over sovereignty in other sectors on its own initiative. Dutch views and proposals of Federalists will be reported separately.

5. Views of Schuman are apparently substantially same as Monnet's, and for once, French Foreign Office seems to be in full accord. Comments by Alphand and Monnet indicate that Spaak, Adenauer and Hallstein are also in substantial agreement, and that effort will be made at coming Bonn, Brussels and Paris meetings to reach agreement that work will progress along lines indicated above.

6. Monnet recognizes that suggested approach is incomplete and imperfect, even though CSC and EDC would both be substantially improved and many lacunae in existing treaties filled. He emphasizes, nevertheless, that transferring sovereignty on a sector basis has forced progress not dreamed possible only a few months ago. He also points out that defense and coal and steel bring under control of European central institutions a very substantial part of government activities in Europe.

7. Monnet sees many advantages in proceeding in this more limited way. A treaty on the lines he suggests could be very simple and could be quickly prepared. An effort to go further could well mean endless drafting and discussion. The approach assumes existence of EDC and should encourage rapid ratification of that treaty. It almost certain legitmate fears [will be?] raised by CSC and EDC treaties in their present form. The idea of setting up popular control over the "technocrats" in Luxembourg and the "generals" in Paris will have great appeal to public and to parliament. He concludes that all these considerations plus the drama of the European peoples uniting themselves for the first time in a directly-elected European parliament provide the decisive and dynamic event that is needed to take advantage of developing favorable trend to a United States of Europe.

DUNN

No. 117

740.00/10-352: Telegram

The Consul at Strasbourg (Andrews) to the Department of State [1]

SECRET STRASBOURG, October 3, 1952—5 p. m.

140. Ref Contel 102, Sept 26 [2] and Deptel 27, Sept 28. [3]

Summary of my conversation this morning with SecGen Paris follows.

In response to a question Paris said that he was greatly encouraged by Assembly session recently concluded, and that he had not changed ideas expressed to Koren on Sept 25 (Contel 102, Sept 26). Formation of EPC by six Schuman Plan countries was absolutely essential to future of Eur, while approval by CSC Assembly of CE Assembly's opinion on Eden proposals was essential for ratification of EPC by 6 natl Parls. Latter belief had been strengthened by well-nigh unanimous vote in favor draft opinion. He now thought that, in addition to Fr and Belg Parls, serious difficulties wld be encountered by EPC project in Neths and Ger Parls if Consultative Assembly's opinion not acted upon favorably by CSC Assembly. As made clear in Assembly, Ger Socs were opposed to establishment EPC without close association with UK and there might even be similar opposition on part of certain coalition party members in view of Christian Demo Gersten Maier's strong statements advocating such association (Contel 134, Oct 1 [4]).

Paris felt confident that CSC Assembly wld accept Council Eur Assembly opinion. He based his belief on careful analysis of list of dels common to both Assemblies in connection with their positive votes and with polit affiliations of those not present at vote on Sept 30 and also on polit affiliations of non-Council Eur reps in CSC Assembly, and he estimated conservatively that 43 of 78 CSC Assembly reps were in favor, thus assuring necessary simple majority. Reynaud and fellow independent Republican Maroger wld probably vote negatively, but in view his endorsements of Eden proposals before Consultative Assembly Spaak was in no position to oppose latter's opinion.

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[1] Repeated to Paris, London, Bonn, Rome, Brussels, The Hague, Luxembourg, Athens, Ankara, Copenhagen, Dublin, Oslo, Stockholm, Vienna, Reykjavik, Ottawa, and Wellington.

[2] See footnote 3, Document 114.

[3] Document 114.

[4] Not printed; it summarized the debate during the closing meeting of the Fourth Ordinary Session of the Consultative Assembly of the Council of Europe. This debate, which took place on Sept. 30, concerned the Eden proposals regarding the political organization of Europe. (740.00/10-152)

Paris replied in affirmative to question whether Committee Mins wld approve Assembly's opinion, stating that Comite Mins had approved original Eden proposals in principle (Contel 151, May 23 [5]) and furthermore wld not now go counter to near-unanimity of Assembly. Probable developments wld be as follows: Comite Mins wld approve Assembly's Sept 30 opinion in principle and wld wait until bureaus of two Assemblies had reached agrmt before formally adopting it.

SecGen reiterated his idea (revealed to Koren Sept 25) concerning protocol to EPC treaty to be signed by all Council Eur countries providing for consultative body of Mins and Assembly composed of Council Eur members entitled express opinions matter relating to EPC. He said that since Schuman Plan treaty provided for econ council of consultative nature there was no reason why there shld not be polit consultative body connected with EPC institutions.

While he did not believe that proposed right of non-CSC observers to speak in CSC Assembly wld meet with difficulty at hands of latter, Paris thought that agrmt on conditions under which such observers might speak wld require thorough negots between CSC and Council Eur. He implied that Council Eur Assembly wld readily concede that under certain circumstances observers shld not have right to speak.

Paris was most hopeful when speaking of Section D of Document AS (4)86 [6] regarding Council Eur Secretariat, explaining that certain provisions of that section were already being put into practice. De Neree, clerk of CSC Assembly, had asked him for use of 6 Secretariat officials to aid in work of Pre-Constituent Comite and *Ad Hoc* Assembly, as well as Secretariat's Directorate of Studies, Translators and Interpreters.

ANDREWS

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[5] Not printed; it transmitted the text of the resolution concerning the Eden proposals adopted during the Eleventh Session of the Committee of Ministers of the Council of Europe on May 23. (740.00/5–2352) See Document 38.

[6] This is a reference to Opinion 3 concerning the best means of giving effect to the Eden proposals, which was approved during the Fourth Ordinary Session (Second Part) of the Consultative Assembly of the Council of Europe. See Document 110.

No. 118

850.33/10-252

Memorandum by the Officer in Charge of Economic Organization Affairs (Camp) to the Deputy Assistant Secretary of State for European Affairs (Bonbright) [1]

CONFIDENTIAL [WASHINGTON,] October 2, 1952.

Following the conversation which we had in Mr. Bruce's office the other day, [2] I have reviewed all the telegrams we have received from Strasbourg, Paris, and Luxembourg concerning the relationship between the Council of Europe and the Community of Six and particularly the action which has been taken with respect to observers, both at the Assembly of the Schuman Plan and also at the *Ad Hoc* Assembly (the Schuman Plan Assembly plus the additional representatives who are meeting to elaborate a treaty for a Political Authority). I do not think the decisions which have already been made either with respect to observers at the Coal and Steel Community or relations with the *Ad Hoc* Assembly are very satisfactory. Briefly the situation is as follows:

Ad Hoc Assembly

The *Ad Hoc* Assembly has been formally constituted and consists of the members of the Schuman Plan Assembly plus an additional 26 members from those Council of Europe countries that are not members of the CSC. The *Ad Hoc* Assembly itself adopted a resolution on September 15th which suggested that there be 13 observers from the member countries of the Council of Europe who were not members of the Schuman Plan (3 U.K., 2 Greece, 2 Turkey, 2 Sweden, and 1 each from Iceland, Denmark, and Norway). In the same resolution, which was adopted 49 to 4, it was decided that these observers would have the right to speak in committee, that these observers were to be permitted to present either oral or written observations at the time of the general discussion in the Assembly, the oral statements to take place after the reading of the report but before the closing of the debate. This resolution, it should be noted, was adopted by the *Ad Hoc* Assembly itself, not by the Council of Europe.

I have sent a telegram to Paris and Strasbourg asking for clarification on various points in this resolution and also as to its current status.[3] For example, it is not at all clear whether the observers have the right to participate in all committees which the Assembly sets up or simply the Preconstituent Committee which I gather is really a Committee of the whole. Furthermore, a telegram from Strasbourg dated September 25 reports that De Neree, the clerk of the *Ad Hoc* Assembly, considers it probable that the *Ad Hoc* Assembly will be asked to revise and elaborate the rules governing observers.[4]

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[1] Attached to the source text was a covering memorandum from Bonbright to Bruce, dated Oct. 6, which read as follows: "Here is the memorandum Miriam Camp prepared following our talk the other day. If you agree with the conclusion on p. 4 we will go ahead on that basis."

[2] No record of this meeting was found in Department of State files.

Although it seems to me that the work of the Preconstituent Committee and the *Ad Hoc* Assembly will be hindered rather than helped by the participation of observers from non-Schuman Plan countries, it is not at all clear from the telegrams whether the six European countries themselves have acted in response to pressure from other countries, particularly the British, or whether they, themselves, are genuinely anxious to have observers associated with the work of the *Ad Hoc* Assembly. The decision to invite observers was taken, in principle, by the Foreign Ministers of the six countries. Although I think that, given this decision, it would have been better to have limited the observers to participation at the Assembly and then to have done most of the work in the Preconstituent Committee, I presume that if the six countries wish to do most of their negotiating and drafting without benefit of observers from eight other countries, they can interpret or get around the resolution easily enough by setting up new working groups, etc., from which the observers are excluded. The *Ad Hoc* Assembly is, of course, not a supranational organization but a collection of delegates of various nationalities meeting to discuss the drafting of a Constitution. It is somewhat less anomolous to conceive of observers taking part in these discussions than it is in the discussions in the Assembly of the Schuman Plan itself which is, in many respects, analogous to the legislature of a single state.

Schuman Plan Assembly

The Schuman Plan Assembly has itself passed no resolution on the role of observers in its deliberations. The Assembly of the Council of Europe has, on the other hand, adopted a resolution which, among other things, gives observers the right to speak at meetings of the Assembly of the Coal and Steel Community and implies they should have a similar right at the Council of Ministers of the CSC. A telegram from Paris of September 30 [5] indicates that the High Authority is considerably disturbed by this resolution and feels that much of it is inconsistent with the supranational character of the Coal and Steel Community. I am in general agreement with the substantive points made in the telegram as to the reasons why the Council of Europe action impinges on the authority of the CSC. Apparently the High Authority has already been in touch with Spaak and is itself of the opinion that, in the unlikely event that the resolution were to be adopted as it stands by the Ministers of the Council of Europe and subsequently agreed to by the Assembly of the CSC, the High Authority would take the question to the Court of the Community on the grounds that certain of the provisions violated the Treaty.

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[3] Presumably a reference to Document 114.

[4] This is a reference to telegram 99 from Strasbourg, Sept. 25, which informed the Department of State that De Neree believed the Preconstituent Committee would ask the *Ad Hoc* Assembly for its advice regarding observers. (740.00/9–2552)

It seems to me that it would be unfortunate if the situation were allowed to reach the stage where the issue was resolved by the Court. I think a serious enough point is at issue, namely, whether it is consistent with the "Supranationalism" of the Community for observers to have extensive privileges in any of the organs of the Community so that we should at least assure ourselves that this point will be satisfactorily handled short of a decision by the Court. Accordingly, if you agree, I would suggest a circular telegram to the principal posts concerned, indicating that we share many of the misgivings of the High Authority on this resolution, and asking our missions to sound out the reception the resolution is apt to get when considered by the Council of Ministers. In the light of these responses we can determine whether or not it would be desirable to discuss the broad question of the role of observers, including our own, with a number of the key countries before the Council of Ministers acts. We do not know for sure when the next meeting of the Council of Ministers will be held, but there is some indication it may be in December. [6]

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[5] This is a reference to telegram Polto 380 from Paris, Sept. 30, which informed the Department of State of the objections that the High Authority had to Opinion 3 which was being debated in the Consultative Assembly meetings in Strasbourg. (740.5/9-3052)

[6] A handwritten notation by Bonbright in the margin of the source text read as follows: "Approved by Mr. Bruce. J. C. H. B." With Bruce's approval (see footnote 1 above), circular telegram 405 was transmitted to London, Paris, Rome, Brussels, The Hague, Stockholm, Oslo, Copenhagen, Vienna, Ottawa, Bonn, Luxembourg, and Strasbourg, on Oct. 10 as proposed in the last paragraph of this telegram. (850.33/10-1052)

No. 119

Editorial Note

The ten-member working group of the Constitutional Committee, which was organized by the *Ad Hoc* Assembly of the Coal and Steel Community (see Document 109), met in Brussels October 6-8 under the chairmanship of Von Brentano for the purpose of organizing the work to be accomplished by the *Ad Hoc* Assembly. It was decided to recommend that three subcommittees be formed to deal with institutional questions, with powers and responsibilities to be transferred to the proposed European Political Community, and with relations of this Community with other international organizations. (Telegram 366 from Brussels, October 7; 740.00/10-752) When the meetings of the working group ended, Von Brentano gave Embassy officials in Paris a copy of its memorandum on the organization of the work of the Constitutional Committee, which was transmitted to the Department of State in telegram 2231 from Paris, October 10. (740.00/10-1052) In a conversation with Tomlinson in Luxembourg on October 9, Von Brentano said he was most anxious to have the status of the United States as observers established as soon as possible and that he wished it would be recognized that designated United States officials were official points of contact with the right to full information. (Telegram 2247 from Paris, October 11; 740.00/10-1152)

No. 120

Bruce Mission files, lot 57 M 38, "U.S. Aid": Telegram

The United States Special Representative in Europe (Draper) to the Department of State

CONFIDENTIAL PARIS, October 9, 1952.

Repto 1222. Cotel. Ref: Torep 1168, Sept 13. [1]

1. In present circumstances, doubt that US financial aid wld assist CSC to obtain funds in open market because fact that counterpart or dollars are furnished enterprises in CSC does not necessarily make investments either more or less attractive to private capital, unless possibly lower interest rate on counterpart or dollars wld enable enterprises to pay attractive rate of interest to pri-

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[1] Not printed; it stated that if the Coal and Steel Community was in need of financial assistance the Mutual Security Agency believed it should canvass all possible sources of assistance before the Agency would be willing to consider extending aid. (MSA telegram files, FRC Acc. No. 54 A 298, "Paris Torep")

vate lenders. Moreover, if US aid is available, CSC might be under less pressure, than otherwise it wld be, to adhere to policies capable of attracting private investment.

2. On basis talks here with Hill of IBRD, it appears that Bank wld prefer to be source of capital for CSC, and availability of aid from US for CSC wld not be factor in determining IBRD attitude on soundness and desirability of investments. Bank's apparent interest in possible CSC investments may stem partly from its desire to use CSC capital needs as means of obtaining agreement of some or all of six member countries to release their full 18% local currency contributions and also perhaps permit floatation of local currency issues. Some of local currency contributions have been released, Fr in particular having done most, but each country has put conditions on use of these funds and demands to examine projects for which Bank proposes to use funds. But whatever Bank's reasons may be, it is interested in possible CSC financing requirements.

3. In addition above consideration, believe political reaction to any US financial aid to CSC at this time and in absence strong and well-documented case establishing:

(a) real need for such aid, and

(b) impracticability of raising adequate funds from private money markets, IBRD, etc.,

wld be damaging to CSC prestige, which in turn might decrease rather than augment its open market borrowing capacity. Might also reinforce theme of CSC opponents that CSC is creature US policy rather than European institution in which Europeans themselves believe and support. Note in this connection that HA has not even informally mentioned subject tho they have had ample opportunity to do so if they desired.

4. Realize of course that MS Act provides authority assist CSC financially if necessary and within limits demonstrated needs and available US aid resources, and US shld therefore be ready consider CSC request based on realization conditions stated in 3 (a) and (b). In meantime, seems to us that most effective US contribution that can presently be made to CSC is general moral support treaty objectives and consideration provisions of such informal technical assistance as HA may request.

5. Cabling separately re paras 3 and 4 reftel.

Draper

No. 121

850.33/10-1652: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PARIS, October 16, 1952—9 p. m.

2357. This is part one of three-part message. Ref Depcirtel 405 Oct 10 [1] and Polto 380 Sept 30. [2]

Subject is relations of CSC, EDC and EPC with Council of Europe.

I suggest that Dept may wish to circulate to missions concerned following analysis and background of Council Europe Assembly opinion on implementation of Eden proposals prepared by staffs of Embassy and SRE. Full text of opinion reported Strasbourg Contel 141 Oct 3. [3]

1. Essential to understanding of problem posed for CSC by CE Assembly opinion is realization basic difference between *Ad Hoc* Assembly and CSC Assembly—a difference not fully understood or appreciated even by many officials of govts concerned. The functions of the *Ad Hoc* Assembly are similar in nature to those of the Consultative Assembly of CE. It is a "study group" set up to make recommendations to the six govts. It has no powers, exercises no sovereignty and was not established by treaty. Accordingly, presence of observers at *Ad Hoc* Assembly with right of limited participation does not raise any real problems and Section A of opinion seems acceptable to everyone. Nonetheless, some officials still feel that opening Assembly to observers is a bad idea, and that their presence will impede progress towards European federation. Other officials argue presence of observers, paticularly Brit, will make eventual recommendation of *Ad Hoc* Assembly more acceptable in six CSC nations and will make it impossible for Brit to oppose this movement. Once Brit are entangled, presumably, their support will be committed. It is assumed Brit would not wish United States and Europe to place blame for any failure on them.

2. In contrast with *Ad Hoc* Assembly, CSC Assembly exercises sovereignty for peoples of six nations under most solemn treaty. CSC Assembly has real powers. CSC High Authority is answerable to CSC Assembly, which can by vote of censure force resignation of High Authority. CSC Assembly has right to debate and to act on

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[1] See footnote 6, Document 118.

[2] See footnote 5, *ibid.*

[3] Not printed; it transmitted to the Department of State the verbatim text of Opinion 3 adopted by the Consultative Assembly of the Council of Europe on Sept. 30. (740.00/10-352) See Document 110.

all activities of High Authority. Most of these activities directly or indirectly will affect non-member countries.

Presence of observers from non-member countries with right to be heard in Assembly's debate on activities of High Authority, particularly when motion of censure is in prospect, would constitute conferring influence without responsibility on these observers. Moreover, it would create unbalanced relationship, since there is no proposal for reciprocal arrangements, that is, for CSC Assembly observers to be present at sessions of National Parliaments.

3. CSC High Authority would regard presence of observers with right to speak in CSC Assembly (Section B, para 1(D) item of Opinion) as politically unacceptable and as violation of CSC Treaty. If such arrangements were established, High Authority would combat by challenging it in CSC court. Moreover, legal advisers responsible for CSC Treaty state that CSC Assembly has no power of direct decision in field of external relations and thus cannot negotiate and enter into agreement with CE Assembly (Section B, para 1(D) of Opinion).

4. Spaak, President of CSC Assembly, reported to be in agreement with High Authority that implementation of CE Assembly opinion would violate CSC Treaty. He has, however, informed Monnet that he would prefer High Authority did not make firm statement of its position at this time. He thought he could best handle situation by making it clear through questioning and informal meetings with officers of CSC Assembly and CE Consultative Assembly that suggestion for observers with limited participation is impractical.

Monnet apparently agrees that best policy is to let matters drift. He believes that as community's institutions begin to exercise their authority it will become clear to all concerned that CSC already has attributes of federal authority and is not merely an inter-governmental institution acting for governments. When this is clear, suggestions for Brit or other participation in governing process without reciprocation will be dropped.

5. Similarly, if proposed discussion between CE Comite of Ministers and Special Council (of Ministers) of CSC (Section B of Opinion, para 1 (E) item) should result in agreement that non-CSC states of CE could be regularly represented by observers at meetings of CSC Ministerial Council, High Authority would regard this agreement as a violation of treaty. This is true no matter what "mutual obligations" were entailed. In fact, any negotiations by Ministerial Council with an outside body, except on commercial policy, could be challenged as *ultra vires.* On the other hand, mutual and reciprocal arrangements for special and periodic joint consultations outside of Council appear entirely consistent with

treaty, and seem to be strongly desired by High Authority and interested officials of six states.

6. Section C of Opinion, embodying draft protocol of CE statute, is confused and confusing text. Its purpose is to make it possible by amending statute, to permit communities to function within framework of CE, and, in particular, to make this possible in case of EDC in spite of present exclusion of "national defense" from area of competence of CE. Nevertheless, by recognizing (para B (ii) of draft protocol) that final say as to presence or absence of observers is up to members of communities, text of protocol robs this section of any force. If C of E protocol were strongly supported, however, it could lead to move for revision of EDC Treaty.

7. Besides advocating common use of certain facilities gradually being put into effect (see below, para 9–a), Section D on relations between secretariats of CSC and CE Assemblies proposes dominant position for latter that hardly appears consistent with its consultative character when compared with sovereign character of former. Presumably this will become a dead letter and relationships will take logical form upon establishment of EPC popularly-elected assembly.

8. Suggestion that Committee of Ministers and Consultative Assembly of Council of Europe be ministerial and parliamentary organs of European communities is also in conflict with present proposals for institutional framework of European Political Community. Leading Council of Europe Deputies working on EPC seem to accept proposition that EPC should be built on institutions of EDC and CSC with addition of executive and directly-elected Lower House and omission Council of Ministers. Any attempt to use CE Ministers or CE Assembly would obstruct development of federal structure.

9. Imperfections and objectionable features this CE Assembly opinion should not obscure fact that cooperation between CSC and CE and between the six and the nine (CE members that are non-members of CSC) is provided for or has already begun, some of it in accordance with text voted in Sept.

a. CSC Assembly will meet in Strasbourg and use CE building and is already making plans for its secretariat to call on services of CE Secretariat.

b. High Authority would welcome appointment to it of delegations from non-members of CSC, as has already taken place in case of United Kingdom.

c. Under terms of CSC Treaty, CSC High Authority and Assembly are to send periodic reports to Consultative Assembly and Comite of Ministers of CE for debate and comment, and CSC member govts are invited to recommend common representation to CSC Assembly and CE Assembly.

d. CSC High Authority has suggested CE Assembly that community as such have some form of special membership in CE institutions.

e. Additional arrangements for periodic consultations between CSC and CE institutions are being discussed in Strasbourg, Luxembourg, Brussels and Paris.

10. Following parts discuss motives of those approving CE Assembly opinion, special role of Brit and problem thereby posed for United States, and recommend tactics for immediate future.

DUNN

No. 122

Editorial Note

On September 24 Kirk Spierenburg, a member of the High Authority of the European Coal and Steel Community, sent a letter to the Foreign Ministers of the member states of the Schuman Plan in which he informed them that the High Authority intended to establish reciprocal relations with the Organization for European Economic Cooperation. (Despatch 6 from Luxembourg, October 1; 850.33/10-152) The initial proposals concerning reciprocal relations between the two organizations contemplated a two-phased program, one phase for the preparatory period and a second for the period following the creation of a Common Market. During its 194th meeting in Paris on October 16, the OEEC Council adopted Spierenburg's proposals which provided for admission to the OEEC's Coal and Iron and Steel Committees by an observer from the High Authority and appointment by the High Authority of a liaison officer to work with the Secretariat of the OEEC. The minutes of this Council meeting, at which the United States was represented by Hubert F. Havlik, are in OEEC files, lot 56 D 217, "C/M(52)32". The text of Council document C(52)280(Final), which contained the official wording of the liaison procedure approved by the Council, is in OEEC files, lot 56 D 217, "C(52)280".

No. 123

850.33/10–1652: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET — PARIS, October 16, 1952—9 p. m.

2358. Subject is relations of CSC, EDC and EPC with Council of Europe. Ref Depcirtel 405, Oct 10 [1] and Polto 380, Sept 30. [2] This is part 2 of 3 part message.

We wished to demonstrate by part 1 of this msg [3] that question of observers at CSC assembly is not, at bottom, a pro-British or anti-Brit issue, although unfortunately this is the way it is most widely interpreted. Actually, all responsible reps of CSC nations most strongly desire to work out closest possible concrete and practical association with British.

1. Fol discussion of motives of those approving CE assembly opinion which is confusing and impracticable in many respects, may be useful as background info to recipients Depcirtel.

a. Desire to maintain maximum "unity" of free Europe, to avoid appearance of division arising from fact that "the six" in CSC ready to accept supranational institutions, that "the nine" others in CE not ready to accept. This applies to delegates both of six and of nine. In some cases it probably contributed to favorable votes of individuals who had not thought through real meaning of text in terms of relations with a supranational institution. They were animated by desire keep friendly contacts with CSC and other communities in prospect, but were merely groping for means and in absence any other concrete suggestions clutched at idea attractive to parliamentarians of relations between respective assemblies through "observers."

b. Desire to associate nonmembers, particularly UK with communities, out of fear as to where German (and/or Catholic) domination might lead them. This fear applied less to CSC than to EDC and EPC, but those animated by it recognized that pattern likely be set by institutional relations with CSC and hence insisted on all possible "organic links." This motive present in minds some dels of six (notably Mollet) carried so far that it outweighed allegiance to supranational principle and independence of communities.

c. Genuine desire to be helpful and belief that countries other than the six, if given some chance at participation, cld make communities work better for themselves and for Europe, although British and other protestations to this effect are not entirely at their face value.

d. Unabashed belief that, supranational or not, the community of six cld not be treated like any European sovereign state because it was too big and important. With particular ref to CSC, this was expressed on floor of assembly only by Lord Layton, who declared that all CE countries were interested in CSC policies as consumers and possessors of finishing industries and that it was therefore "right, although it may appear illogical," that nonmembers shld have observers in CSC assembly able to speak even in debate on "sacking" High Authority. Little doubt, however, that others besides Lord Layton held this view. This attitude certainly is a cause for worry on part reps of CSC institutions and is hardly consistent with UK FonOff brushing aside fears of High Authority as "nonsense." (See London tel 2619 [*2169*] to Dept Oct 14.[4])

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[1] See footnote 6, Document 118.

[2] See footnote 5, *ibid.*

[3] Document 121.

e. Advisory nature of consultative assembly permitted many dels to vote for resolution without feeling bound by it; everyone was very anxious not to appear as being in opposition to idea of association with British. Dels were also influenced by speeches of British dels emphasizing that opinion left matter in hands of CSC nations and all suggestions were subject to negotiation. Most of the responsible opposition also absented themselves.

2. Importance British Govt role in Strasbourg text and vote incontrovertible, but ultimate British objective not so clear.

a. Proposals for associating CE with CSC and other communities were first drafted in British FonOff, were proposed by Eden to CE Comite of Ministers, and supported first by Nutting, Parliamentary Under Secretary for Foreign Affairs, and then by Eden himself before Strasbourg assembly. Amery, British Conservative, became *rapporteur* on draft opinion for General Affairs Comite. Eden proposals have been substantially modified since initially presented and British continue to stress that they are very flexible, shld be worked out gradually and shld not interfere with independence of "supranational" institutions.

b. Eden proposals, and text as voted Sept 30, apparently were meant to complement, not contradict, association of UK with CSC establised through del led by Sir Cecil Weir to High Authority in Luxembourg. Nutting told assembly on Sept 30, "British Govt's view, which Mr. Eden and I last May put to this assembly, has consistently been that for our part we wish to extend diplomatic and technical links which we have already established with CSC, and we hope later to establish with other communities, to ministerial and parliamentary fields." (This intention not always understood in Luxembourg, where High Authority considered British Govt activities at Strasbourg double-crossing CSC by reversing agreement that association with CSC was to be worked out gradually by UK Govt del, with consequent embarrassment to Weir. See Polto 380, Oct 1 [*September 30*]. High Authority considers UK to have been uncooperative in their recent actions in OEEC, GATT and Strasbourg.)

d. [*sic*] British FonOff admits that it has come "reluctantly" to accept idea of strong supranational grouping of the six. There seems no reason to doubt British Govt assertions that it does not desire subordinate supranational CSC or other communities to intergovernmental CE. At same time, as individual country, UK appears be seeking institutionalizing of links through C of E whereby it cld strongly influence actions and policies of communities of the six without engaging itself in mutual undertaking.

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[4] Not printed; it informed the Department of State of British views on the role of observers in the Coal and Steel Community Assembly and its related committees. (850.33/10-1452)

DUNN

No. 124

850.33/10-1652: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET PARIS, October 16, 1952—9 p. m.

2359. This is third part of 3-part message. Subject is relations of CSC, EDC and EPC with Council of Europe. Ref Deptcirtel 405, October 10 [1] and Polto 380, September 30. [2]

1. Our conclusion is that high level talks with UK envisaged in Deptel 1801, September 27, [3] should be used to discover more than is now known of British motives and intentions as reflected in actions to date toward rapidly developing 6-nation community.

a. Do British wish to have separate team of governmental observers at *ad hoc* assembly and its committees? Do British intend to accomplish this in effect by attaching officials as advisers to British parliamentary observers? Are British aware that latter arrangement might, as one British official put it, "make it awkward for United States to have any observers"?

b. Are British aware that question of observers with automatic right of limited participation may raise need for amending CSC treaty and, more important, lead to a renegotiation of EDC treaty? It is entirely possible that French Assembly might make such a renegotiation a condition of EDC ratification. Problem may also arise of working out mutual obligations to be undertaken by British. Do British really believe that having three parliamentarians with right only to speak is a useful form of association?

c. Inasmuch as present proposals are probably entirely impractical when EPC comes into existence, would it not be preferable to find means to delay question until *ad hoc* assembly has made its report on proposal for creating European political community? Note that *ad hoc* assembly also has responsibility to make proposals on relations between 6-nation community and other countries.

d. How concretely does UK intend to conduct its relations with CSC, EDC, EPC, and participating nations in order to help the nations in their efforts for early ratification of EDC and in their efforts to develop strong and viable political community?

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[1] See footnote 6, Document 118.

[2] See footnote 5, *ibid.*

[3] Same as Document 114.

2. In meantime, believe it inadvisable, particularly in France, to take any firm position on CE Assembly opinion. It is a political necessity from viewpoint of EPC and EDC ratification for European officials and parliamentarians to press for closest possible association of six nation community with UK and other CE countries. Monnet and others cannot take issue with Mollet's proposals since they are anxious as well for closest possible association with UK, and have not as yet prepared concrete proposals of their own. They certainly do not believe that three British parliamentarians without official standing and with only limited rights of participation can provide the type of UK association and participation which is required by developments of the magnitude and significance of those now unfolding on the continent of Europe.

3. A last minute deal on EDC ratification will probably have to be made by Pinay and Schuman with Mollet. We can only hope that Mollet will be satisfied with claiming credit for whatever forms of association have been worked out by then. CSC Assembly does not meet until January (CE Consultative Assembly immediately thereafter) so there will be breathing spell before CE Assembly text can be placed on agenda of an institution which can and must make a decision. By that time, *ad hoc* assembly's work on EPC may point to other forms of links between six-nation community and non-members that will supersede present text.

DUNN

No. 125

840.00/10-152

The Under Secretary of State (Bruce) to the Ambassador in Belgium (Cowen) [1]

PERSONAL AND CONFIDENTIAL

[WASHINGTON,] October 21, 1952.

DEAR MYRON: The problems you set forth in your letter of October 1 [2] have also been causing concern to a number of us here in the Department. I am not sure how much enlightenment I can give on the solutions to them, but at least I can tell you what work is in process aimed at their solution.

The problem of German competition and similar competition from the Japanese, was your first question. There are essentially two ways of dealing with these new competitive forces. One is the construction of governmental and private barriers which would presumably insulate countries and regional markets from this competition. The other alternative is to see that our policies and programs have as their target increasing the efficiency of non-German Europe so that those countries can meet not only Japanese and German competition but American as well. This would appear to be the only feasible alternative. Certainly it becomes our responsibility and the responsibility of existing international institutions to see that competition is fair and not of the disruptive, coercive character that marked certain aspects of Japanese and German prewar practices. The prevailing temper of Western European governments and businessmen being what it is, there will be plenty of restraint imposed on German and Japanese competition and it seems to me the weight of this Government should be thrown on the side of maximum competition.

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[1] Drafted by Schaetzel and Meloy.

[2] Document 115.

On the problem of adequate supplies of materials for our own use and for the use of other economies, you are undoubtedly aware of the work of the President's Materials Policy Commission. While the Paley Report was aimed principally at the requirements of the United States economy, it did suggest the directions in which the entire free world should move. [3] It seems clear that both the policies suggested and various practical steps which might be taken would be applicable equally abroad and at home. The NSRB has pulled together the views of the various agencies on these Paley recommendations and I understand will shortly submit to the President their conclusions. It is our expectation that one of the early pieces of business for a new Administration will be to decide what should be done in this critical field.

It is difficult to be more precise on these two questions at this time. The Department is aware of the critical state of economic affairs in the free world today and the possibility that the failure to meet these problems may undermine our existing political and security arrangements. We are, therefore, now engaged in pulling together a comprehensive study of the foreign economic problem. This work is being coordinated by Willard Thorp and will include an analysis of the economic situation as well as proposals for the new Administration as to legislative steps that might be taken to meet the problems involved. Two major segments of this staff analysis will be: one, a diagnosis of the European economy and the suggestion of remedial policies; and the other, the raw materials issue.

The institutional problems raised by the Schuman Plan, or any more far-reaching European federation, will be taken up as they arise—as is now the case in Geneva with respect to the relationship of the Coal and Steel Community to the General Agreement on Tariffs and Trade. As you undoubtedly know, it is our view that every effort should be made to see that international institutions, to the extent feasible, deal with the CSC as a juridical entity.

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[3] Regarding this Commission and its report, see vol. I, Part 2, p. 857.

In your letter you also suggested that a European federation might settle some of our most immediate international problems such as the extension of economic and possibly even military aid, since presumably such a federation would be able to stand on its own feet. Unfortunately, it appears to us that this attractive result would be unlikely to occur in the immediate future. The basic economic advantages of European integration will undoubtedly come in time from the expansion of the market, from increased efficiency of production, and from the orderly elimination of inefficient economic components. It would seem, however, that the short-term outlook is for a difficult transition period through which the Europeans must go before they can enjoy the economic fruits of a more efficient European market. This is not to say that we shall necessarily have to rush in with special programs of aid beyond those presently contemplated to keep the process going, but only that these new institutions offer no immediate panacea.

Sincerely yours,

DAVID BRUCE

No. 126

740.5/10-2152: Telegram

The Deputy United States Special Representative in Europe (Anderson) to the Department of State [1]

CONFIDENTIAL PARIS, October 21, 1952—9 p. m.

Polto 500. Re Luxembourg 52 October 19. [2] Subject is CSC.

Monnet called Tomlinson October 18 to provide copy of letter to Sir Cecil Weir forwarded in reference telegram and to explain background of letter. Monnet stated he and Etzel, Vice President of High Authority, had arranged for dinner with Weir the previous evening to exchange general views. However, Weir quickly turned conversation to concrete questions. Weir said his government understood High Authority was about to convoke a number of committees to work on investments, production, markets and so on, and asked if it was intention of High Authority to invite British delegation to participate as members of these committees.

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[1] Repeated to London, Bonn, Luxembourg, Rome, Brussels, The Hague, and Strasbourg.

[2] Not printed; it transmitted the text of a letter from Monnet to Weir, dated Oct. 18, concerning the possible establishment of a joint committee made up of representatives from the Coal and Steel Community and the United Kingdom. (850.33/10-1952)

Monnet said he replied immediately that High Authority wished to consider all these matters jointly with British delegation but that it was not intended to invite British delegation to participate in these particular committees for reasons which were quite obvious. In first place, committees were to be composed of personages from government, industrial, and labor circles acting in a private capacity. Second, committees are to advise High Authority on tasks confided to High Authority in CSC Treaty which gives sovereign powers to Community in coal and steel matters. Obviously, High Authority wished to be guided by advice of committees but, also, High Authority on occasions would find itself in a position where it would in exercise of its responsibility feel compelled to modify or even to act contrary to advice of committees. Monnet said he could easily envisage a situation in which members of British delegation could not avoid appearance of intervening in internal affairs of High Authority by having supported in discussions advice of committees which was not followed by High Authority. Monnet underlined to Weir that such a development could involve both High Authority and British delegation in most unfortunate consequences.

According to Monnet, Weir accepted this view and replied that in any event British Government and industry were vitally interested in these matters, for example, the investment policies that would be adopted by CSC. In subsequent conversation it was agreed that High Authority would find it useful and in best interests of Community to provide full information to British delegation on CSC plans and policies, and that in turn British Government would provide High Authority with same information on coal and steel industries in United Kingdom. In order to accomplish this exchange of information and provide a forum for a frank and full exchange of views, the proposal previously discussed with Weir of forming a joint committee was decided upon. Monnet said Weir, of course, agreed that this arrangement should not by any means be accepted as final form of association. As additional experience was obtained it would be possible to develop other forums perhaps providing for fuller mutual participation in governing processes of coal and steel industries of UK and CSC. Monnet said he stressed to Weir that obligations must be accepted as well as privileges and that perhaps through some form of mutual treaty obligations it would be found both desirable and possible to go considerably farther.

Monnet then confirmed his conversation with Weir on question of UK Parliamentary observers having right to speak at CSC Assembly. Monnet said he told Weir he could not understand what

British Government wished to obtain by repeatedly returning to these proposals. He recalled for Weir how jealously British have guarded their own sovereignty in discussions on CSC, EDC and Council of Europe. He asked Weir how British in view of this attitude could explain their propositions that individuals responsible to no one for their actions and not even citizens of the Community should have right to participate in exercise of sovereignty by peoples making up the Community. The observers apparently were to accept no obligations in connection with their privilege and apparently could not even be held accountable as expressing the views of their own governments. According to Monnet, Weir did not attempt to reply. Monnet told Weir High Authority wished to know what British Government wished to obtain by repeatedly returning to these proposals and asked Weir to prevail on London not to push them further. Monnet stressed that considerable difficulties would be created for CSC and all concerned if High Authority were forced to take a public position. Monnet told Tomlinson that he believed Weir was in full sympathy with High Authority's position in this matter.

Although Monnet is urging that nothing be done about this question at the moment, he also recognizes that High Authority may be called upon to take a position suddenly. Accordingly, he has asked his legal staff to prepare a paper from High Authority to CSC Council of Ministers underlining necessity of association with British and possibly suggesting useful lines of exploration while at same time emphasizing undesirable and illegal aspects of proposal for participating observers from Council of Europe countries in CSC institutions.

ANDERSON

No. 127

740.5/10-2152: Telegram

The Deputy United States Special Representative in Europe (Anderson) to the Department of State [1]

CONFIDENTIAL PARIS, October 21, 1952—8 p. m.

Polto 501. Subject: CSC. Re Luxembourg 52 Oct 19. [2]

Sir Cecil Weir called on Tomlinson Oct 17 to say that he wished to return to London for a week and would like to have an exchange of views on the advancement of High Authority's work. During conversation Weir volunteered that High Authority was now prepared to begin substantive discussion with UK delegation. He did not refer to letter to him from High Authority, but did indicate he expected joint working groups to be established in latter half Nov. In response to his request, Tomlinson told Weir we had told Monnet US was ready to participate in joint working arrangements but nothing further had developed because High Authority had been so occupied with its more immediate problems. (See Polto 252, Sept 4 [*3*] [3]).

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[1] Repeated to London, Bonn, Luxembourg, Rome, Brussels, The Hague, and Strasbourg.

[2] See footnote 2, *supra*.

Weir then raised subject of observers of other Council of Europe countries having limited right of participation in CSC assembly. Weir outlined High Authority's attitude along lines reported to Washington and said Monnet and Etzel had spoken to him again very sharply on this subject the night before. High Authority wished to know reason why British Govt kept coming back to this specific aspect of Eden proposal. Weir emphasized that purpose was not to establish association between UK and coal/steel community. He said UK association was to be worked out with High Authority. British parliamentary observers wld be acting in Council of Europe capacity.

Weir then explained that purpose of proposal was to find some arrangement so other smaller European countries not members of CSC wld not feel left out of European movement. Weir then seemed to invalidate this reason by stating that Monnet's comment to effect that CSC should go to Council of Europe instead of Council of Europe coming to CSC seemed to him to make good sense. Weir said London was also concerned that future importance of Council of Europe wld be nil unless it played an important role in movement of CSC countries towards political unity. He then more or less abandoned this justification for London's position by emphasizing that Council of Europe cld not, of course, have any control over six nation development nor could arrangements be permitted to jeopardize in any way the supranational or federal structure being sought by CSC countries.

Weir outlined three possible developments on participating observer proposal. First, Council of Ministers or CSC assembly might ignore proposal in hopes that matter wld be dropped, or overtaken by events; second, Council of Ministers or CSC might object to proposal and refuse to accept it; or third, Council of Ministers or CSC might accept proposal in which case Weir said he was certain it wld be challenged as unconstitutional by High Authority. Weir said he was not in position now to speak for his govt on this question but his personal view was that some way shld be found to bring about first development. Best way to do this was to find a more appropriate and useful means of associating the other European nations with CSC so that the appropriate modifications cld be made in Eden proposal. He thought this cld be done if High Authority, and particularly Monnet, showed "statesmanship and flexibility" and did not act too quickly.

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[3] Document 99.

During conversation Tomlinson reviewed for Weir background of proposal, necessity for European political leaders to demonstrate full support for close UK association and risks involved for EDC and EPC development in specific participating observer proposal.

ANDERSON

No. 128

740.5/10-2352: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

SECRET PARIS, October 23, 1952—1 p.m.

2496. Restricted distribution. We are informed that Van Zeeland at his own request visited Eden last week to urge that brakes be put on CSC, EDC and EPC. Van Zeeland said movement was going much too fast, becoming much too strong and is reaching point where it is dangerous. He is reported to have said everything must be delayed until US administration takes office in January and has suggested that CSC and EDC be changed in order to make High Authority and Commissariat responsible to Council of Mins of six countries. Van Zeeland's attitude this week on EPC questionnaire and on High Authority's acting in MCPC of OEEC bears out this report.

We are informed Van Zeeland is visiting Washington in near future. You may wish to consider explaining to him reactions of US and their policy implications if German defense contrib is delayed or defeated by Eur nations.

DUNN

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[1] Repeated to London, Bonn, and Brussels.

No. 129

PPS files, lot 64 D 563, "Europe, 1952-53"

Draft Circular Telegram by the Officer in Charge of Economic Organization Affairs (Camp) [1]

SECRET [WASHINGTON,] October 24, 1952.

1. In light of recent discussions of this and related problems at Ambassadors' meeting in London,[2] Department believes it might be useful to outline our current views on general question of European integration and the strengthening of the North Atlantic Community with particular reference to the Schuman Plan, EDC and related developments. It should of course be understood that these views are premised on the assumption that the EDC will be ratified.

2. Looked at broadly there are two general courses of action open to us with respect to the Six-Country developments. You can either put our full weight behind the maximum degree of unity for the Six Countries or, alternatively, we can encourage Six-Country developments as the beginnings of concerted action by a wider group of countries and, accordingly, encourage the development of arrangements between the Six Countries and other European countries which will lead to some measure of direct participation by other Western European countries in the work of the Coal and Steel Community and similar developments.

3. If there did not appear to be a reasonable possibility that an actual federation of the Six Countries could be achieved in the next, say, five or six years, there would be strong arguments for

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[1] Attached to the source text was a covering memorandum by Bonbright to Nitze, dated Oct. 30, requesting comments from the Policy Planning Staff on the proposed circular telegram. The comments by the Policy Planning Staff, drafted by Leon W. Fuller on Nov. 5, are in PPS files, lot 64 D 563, "Europe, 1952-53". On the margin of the Fuller memorandum it is noted that this subject was discussed in a staff meeting on Nov. 13 and that all were opposed to sending out this telegram as now drafted; it also indicated that Camp agreed to redraft the circular telegram.

Another draft by Camp of the circular telegram, dated Nov. 14, was circulated to the Policy Planning Staff on Nov. 15, with additional copies sent to Bruce, Matthews, Bohlen, and Riddleberger. Brief comments from the Policy Planning Staff in a memorandum of Dec. 2, also drafted by Fuller, are in PPS files, lot 64 D 563, "Europe, 1952-53", along with the Nov. 14 text. Comments on the Nov. 14 draft by Vernon of the Bureau of Economic Affairs are in file 850.33/11-1952; the reaction of the Acting Secretary of Defense, William C. Foster, to the Camp redraft of Nov. 14 is contained in his letter of Dec. 17 to Bruce in which Foster describes the draft circular telegram as an indication of a "considerable amount of progress in our thinking." (Camp files, lot 55 D 105, "Chronological File—1952")

For the reaction of the Mutual Security Agency to the proposed circular telegram, see Document 146.

[2] Regarding the London Ambassadors meeting, see Documents 301-303.

treating the Coal and Steel Community, and related developments, as a more advanced form of international organization than, say, the OEEC, but to treat them essentially as arrangements among sovereign states and as arrangements to which other sovereign states should be encouraged to adhere to the extent possible since this approach would yield the advantages of a broader area of cooperation. On the other hand, if it can be attained, federation, or as near to federation as can be achieved by the Six Countries, is considered to be the best answer now open to us to the inter-related problems of a resurgent Germany, a divided Germany and French-German rivalry.

4. It is fully recognized that there are a number of current factors militating against the achievement of full union, in particular the growing French fear of German predominance on the Continent. Nevertheless the Department believes that with the coming into force of the Schuman Plan and the establishment of the *Ad Hoc* Assembly to elaborate a constitution for a Political Authority, there is a reasonable chance that a large measure of integration, and perhaps even federation, of the Six Countries can be achieved. Given this judgment and the fact that we believe full union the better alternative if it can be attained, we believe the essential test which should be applied when considering relationships between the institutions of the Six and other organizations, and between the institutions of the Six and other countries, including the U.S., is whether or not the arrangements are conducive to an early evolution toward a single state whose eventual relationship with other states will be consistent with the relationship between sovereign states. We should seek to avoid arrangements which tend to treat the Six-Country institutions simply as new international organizations, and should avoid formalizing and perpetuating arrangements which should be transitional only, if the objective of federation is to be achieved.

5. There can, of course, be no complete guarantee that a federation of the Six Countries would be a consistent supporter of those Free World objectives in which we believe. Therefore the problem of building sufficiently close relationships between the Six Countries and the US, the UK, and the other countries of Western Europe so that the risk involved is minimized is of fundamental importance. The best course would seem to Dept to be not increased participation by non-Schuman Plan countries in the institutions of the Six (e.g. the current UK-Dutch views) but the converse, i.e., full participation by the Six, acting wherever possible, and as soon as possible, as a single unit, in broader arrangements such as the OEEC and the NATO, and the concurrent strengthening of these broader organizations so that they impose a real obli-

gation on their members to act in a manner which is consistent with an increase in strength and community of interest for the entire area.

6. In the military field this implies treating the EDC, once it has been established, as a single but key element in all NATO plans as well as in bilateral relations with the US. It might also imply an evolution toward a Standing Group composed of the US, UK and a representative of the EDC. In the political field it means, initially, strengthening the habit of consultation on foreign policy questions and broadening the area of discussion. Pending eventual membership by the "Six Countries" in the NATO, the ties between the EDC and the NATO should be strengthened by joint meetings of the Councils of the two organizations. The implications for the economic field are less clear and probably more controversial and lead directly both to questions such as the relationship between the NATO and the OEEC and to the appropriate relationship between regional and global economic institutions.

7. On the assumption that the Six Countries will eventually carry through into other fields the pattern established in the Schuman Plan Treaty for the coal and steel industries, there will be created in the heart of Europe a broad common market which should result in greater productivity within the area and an economy which is more competitive with the United States in world markets. There would thus be achieved, for a large part of Western Europe, the primary economic objectives to which the OEEC has been directing its attention. The economic problems confronting Western Europe can not, however, be fully solved by the creation of a common market either among six countries or among sixteen. Nor can they be solved on a North Atlantic basis. To an increasing extent the role of the underdeveloped countries and Japan will be significant factors in re-establishing a world trade balance. In terms of long run policies the question will arise whether enough economic problems are susceptible to solution either on an OEEC or a NATO basis so that we should look to *institutional* economic arrangements for the North Atlantic Community, or whether we should not rather consider institutions in which the US, the UK and Commonwealth, and the Six European countries would play leading roles but which would consider Free World economic problems globally rather than regionally.

8. Regardless of the validity of the speculation concerning the future in the previous paragraph, Department believes that for the time being the NATO and the OEEC have important and inter-related roles in the economic field. Although it now seems clear that full integration of the European economy will be feasible only on a Six-Country basis, if at all, the present necessity for continued

international cooperation and coordination among the Western European countries in economic matters is obvious. The fact that the Six Countries have been willing to agree to a limited merger of sovereignty, and we hope will do more, should not detract from the importance of continued vigorous action by the OEEC but assist it. It would be foolhardy to weaken the OEEC by openly contemplating its demise at this stage. Six-Country evolution and worldwide developments may later pose the problem of whether the continuation of a "second ring" of organization is required in the economic field (i.e. Six Countries plus other WE countries in association with the US and Canada), but Six-Country evolution will in any event make more necessary than ever strong military and political North Atlantic arrangements.

9. In addition to the full participation of the new community in broader arrangements, in particular the NATO, in which the US and the UK participate, it is also important to establish, from the first, close and cordial relationships between the Six-Country institutions and third countries, especially the US and the UK. This is important both as a means of conditioning the political orientation of the new grouping and to encourage progress toward unification by giving important elements in the Six Countries the reassurance they require that progress toward union will not result in isolation. The thoughts outlined in foregoing paras should, in no sense, be construed as reflecting a shift in US policy or reflecting any feeling on our part that the British relationship to the Six-Power groupings should be weakened. Rather it reflects our view that the British influence, and our own, can be more usefully exerted if, wherever sufficient merger of sovereignty has taken place among the Six so that it becomes feasible to do so, we build our relationship in such a way that it is consistent with the relationship between one sovereign state and another. For example a device such as has been agreed between Monnet and Weir, i.e. a joint committee between the High Authority and the British reps in Luxembourg for the common consideration of mutual problems is consistent with this approach; the Council of Europe proposal for third-country observers in the institutions of the Coal and Steel Community is not. As suggested by recent telegrams from Paris and London, Department believes desirable to undertake in near future discussions with the British in order to make crystal-clear that our attitude does not imply any back-tracking on our frequently expressed desire that they work closely with and lend their encouragement to the development of the CSC, EDC, etc. Nor should our attitude be interpreted as discouraging the UK from exercising initiative in seeking new solutions to the problem of association which are consistent with principles outlined above.

10. A corollary of the foregoing views as to the nature of the relationship between the Six-Country institutions, international organizations and third countries is that US officials should not become too heavily involved in the constitutional process. Our comments, and the pressures which we bring to bear, should all be toward the rapid achievement of a single state rather than directed toward one form of federation rather than another. For example, it may be desirable for us to urge the delegation of particular powers to a central institution on the grounds that without such a delegation of power the essentials of a single state can not be created, but it would not be necessary, or probably desirable, for us to become involved in discussions which are essentially alternative means of arriving at the same end, such as whether or not to adopt a cabinet form of government. We should be constantly on guard against the natural impulse to get too deeply involved in the details and resist the urge to impose our own pattern of development on other countries.

If an enduring union of the Six Countries is to be established, it must be created because they want it, it must be European in concept and reflect their traditions, not ours.

No. 130

850.33/10-3052

The President of the High Authority of the European Coal and Steel Community (Monnet) to the Deputy United States Representative to the European Coal and Steel Community (Tomlinson) [1]

CONFIDENTIAL LUXEMBOURG, October 29, 1952.

During the conversation which took place on September 2 in Lux between the High Auth and Amb Draper and yourself, [2] it was agreed that discussions shld be held as soon as possible between reps of the High Auth and the US Govt to elaborate the association between the community and the US of America.

During the month and a half which have followed, the attention of the High Auth has been largely taken up with the initial question of the other institutions of the community, the organization of its own staff, and the creation of a series of commissions which will make it possible to associate the interested parties throughout the community with the work of the High Auth.

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[1] Transmitted to the Department of State in telegram 62 from Luxembourg, Oct. 30, which in addition noted that Monnet's message had been received by Tomlinson on Oct. 29.

[2] For a summary of the conversation under reference, see Document 99.

With these first essential tasks now well underway I believe that the time has come to undertake discussions between the High Auth and the US Govt on the probs we wish to treat in common. In order to permit the full and frank exchange of views and of info that we agreed were desirable in our conversation with Amb Draper and yourself I propose the establishment of a joint comite as the most appropriate framework. The joint comite could meet at regular intervals with smaller working groups in daily contact as necessary. On our side I shld participate in this comite along with certain of my colleagues and officials of the High Auth. I hope that on your side Amb Draper wld participate whenever he felt it justified and that you will take part in the work with such members of your staff and special advisors as you wish to have advise you.

I shld suggest that if convenient to Amb Draper and yourself the first mtg of this comite might be held in Luxembourg during the week of December 1. I shld appreciate your informing me what date would be suitable for you.[3]

JEAN MONNET

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[3] When the Department of State received the text of this letter, transmitted in telegram 62 from Luxembourg (see footnote 1 above), it requested more information on the composition of the joint committee and the types of problems to be discussed by it. The Department pointed out, in telegram 51 to Luxembourg, Nov. 4, that the joint committee approach seemed to be a good one, but that more information was needed before a pattern for a U.S. relationship was established. (850.33/10-3052)

No. 131

740.00/10-2952: Telegram

The Ambassador in France (Dunn) to the Department of State[1]

SECRET PARIS, October 29, 1952—8 p.m.

2638. Subj is Eur polit community.

1. Constitutional comite of *ad hoc* Assembly on EPC concluded second session in Paris yesterday.[2] Number of comite members have expressed satisfaction at work accomplished and at atmosphere, which was apparently excellent. They have pointed especial-

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[1] Repeated to London, Bonn, Rome, The Hague, Brussels, and Luxembourg for USRep CSC.

[2] Regarding the formation of the Constitutional Committee, see Document 109. The agenda of the second session of the Constitutional Committee, which met in Paris Oct. 23-28, was transmitted to the Department of State in telegram 2488 from Paris, Oct. 22. (740.00/10-2252)

ly to fact that unanimous comite, including Ger members voted to locate future work in Paris despite previous preference of Gers for Brussels and strong lobbying for Belgian capital by Council of Eur people on secretariat. Most comite members not inclined to take Guy Mollet's refusal participate in subcomites too seriously for present (see separate cable this subject [3]).

2. Purpose this session was to agree on rules and on future work program. Although certain substantive issues were raised in connection with discussion of work program, no attempt was made to settle them at this time. Work program finally adopted (text by despatch) did not differ substantially from that transmitted in despatch No. 10 of Oct 17 from USRep CSC Lux.[4]

3. As reported Embtels 2525, Oct 24 [5] and 2572, Oct 25,[6] comite has thrown doors open to observers from Council of Eur countries and reps of member govts and of High Authority. Invitation to High Authority rep considered particularly significant as recognition by comite of High Authority as sovereign entity whose interests closely affected by comite's work. High Authority has appointed its secretary Kohnstamm to represent it in this connection. Observers have expressed pleasure at invitation to subcomite mtgs.

4. As reported Embtel 2599, Oct 28,[7] comite established four main subcomites, which will work in Paris during November, early December and report to third session of full comite around Dec 15. Intervening month before second session of *ad hoc* Assembly (around Jan 15) will be used for consideration of comite proposals by interested parliamentarians and Govts. Comite members hope that this schedule will permit completion of draft EPC treaty for final approval before Mar 10 deadline.

5. Work of four subcomites will be coordinated by enlarged working group composed of officers of comite and of subcomites with two addit members. Members expect this "steering comite" to play

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[3] This is a reference to telegram 2672 from Paris, Oct. 30, not printed. (740.00/10-3052)

[4] Despatch 10 from Luxembourg, Oct. 17, transmitted the text of the draft work program prepared by a working group of the Constitutional Committee. (850.33/10-1752)

[5] Not printed; it transmitted to the Department of State the text of the resolution concerning the role of observers approved by the Constitutional Committee. (740.5/10-2452)

[6] Not printed; it reported on the opening meeting of the Constitutional Committee on Oct. 23. (740.00/10-2552) The minutes of this first meeting of the second session of the Constitutional Committee were transmitted to the Department of State in despatch 903 from Paris, Oct. 27. (740.00/10-2752)

[7] Not printed; it informed the Department of State concerning the names of the officers and members appointed to the various subcommittees of the Constitutional Committee. (740.00/10-2852)

important role in pulling together work of subcomites, although its size may hinder effectiveness.

6. On suggestion of Fr member Mutter, comite also established special subcomite on info and propaganda composed of constitutional comite officers plus Mutter, Semler (German CSU) and Braun (Saar rep). In private conversation, Semler stressed importance arousing more public interest in constitutional comite and other specific bodies working towards Eur unity. Although unity ideal has strong appeal to popular imagination, especially among youth, he said, actual burden of work in postwar Eur unity movement has been carried by some 200 individuals, mostly active parliamentarians, who are consequently spread very thin. Active propaganda work cld help meet this problem of drawing more people and interest into the movement. (Same motivation is apparently behind recent proposals for reorganization of Eur movement under Spaak to engage in direct propaganda and political action.)

7. Based on conversations with participants, fol appear to have been highlights of substantive discussions:

a. There was apparently gen agreement that structure of EPC shld include bicameral Parliament, of which one house elected directly. Other institutional problems not discussed in detail. De Housse as *rapporteur* of institutional subcomite intends to give vigorous support to a supranational structure similar to that provided in Federalist resolutions (Embtels 2087 and 2088 of Oct 5 [8]), and expects to have support of subcomites chairman Teitgen.

b. Major issue still appears to be extent of community's powers, with most Fr reps opposing new grants of sovereignty in EPC treaty. Subcomite chairman Blaisse (Dutch Catholic), who has been most insistent supporter of extension EPC powers into econ field, hopes that satisfactory compromise can be reached in subcomite.

c. Apparently in hopes of mollifying Mollet, Itali del Azara introduced motion calling for immed Eur elections along lines described para 1 Embtel 2495, Oct 23.[9] There was very little support for idea in that form, however, and Azara's motion was quietly referred to subcomite when it became apparent that Mollet was not prepared to cooperate on these terms.

d. Early during session Debre (Gaullist) submitted sweeping proposal for union of Eur states containing detailed specifications of institutions and powers. This motion not seriously discussed in view gen feeling that its only purpose was to enable him to oppose any less far-reaching proposals on grounds they did not go far enough.

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[8] Neither printed; both reported on the meetings of the European Federalist Movement held in Brussels and on the resolutions which they adopted. (740.00/10-552)

[9] Not printed; it informed the Department of State of a proposal which the French Delegation to the Constitutional Committee intended to introduce concerning the direct popular election of a European Assembly. (740.00/10-2352)

e. In his opening speech, Teitgen (Fr MRP leader) raised potentially troublesome question participation overseas territories. He stated that Fr Republic, as participant in movement for Eur polit union, consisted indivisibly of the metropole, the overseas depts and the overseas territories. There was, therefore, no question of a Eur union in which only metropolitan Fr wld participate. These sentiments appeared to have gen support of other Fr dels present.

DUNN

No. 132

850.33/11-352

The United States Special Representative in Europe (Draper) to the Under Secretary of State (Bruce)

CONFIDENTIAL PARIS, November 3, 1952.

DEAR DAVID: Just a line to inquire as to George Humphrey and whether you have been able to talk with him and persuade him to make a "private" trip to Europe to talk to various people about the developing Schuman Plan.

The High Authority will be making its report to the Council of Ministers in January and hopes to actually make one market of the six countries so far as coal and steel is concerned on February 10th next. Therefore, a great deal of crossfire and back and forth thinking and planning, both by the High Authority and throughout the coal and steel industries, will be going on during the next three months. If George could spend three weeks over here before the end of the year it would be very useful indeed.

Tomlinson suggests Henry Parkman as a possibility for our representative with the Schuman Plan. You remember Henry was with you in Paris and later was the U.S. member of the Ruhr Authority. This should have given him some real contact with the coal and steel business although, of course, his own background is legal. Also, he has had enough government and army experience to know how to fit into the picture over here very well. I had not thought of his name even though I did talk to him on the phone a week ago just before I left Boston on a purely personal basis. You might care to talk to John Kenney about this suggestion and if it seems a good one then he or you might talk to Henry about it.

As you may have heard I landed in a hospital in Boston for three or four days with an infected foot, but got away a week ago and am back here in harness as good or bad as ever.

With best regards,

Sincerely yours,

BILL

No. 133

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto": Telegram

The United States Special Representative in Europe (Draper) to the Mutual Security Agency

SECRET PARIS, November 4, 1952—10 p. m.

Repto 1539. Personal for Kenney and FitzGerald pass Perkins. Ref Torep 1958, Oct 31.[1] Subj: US aid to CSC.

1. My own feeling toward US aid to CSC has always been that latter's taxing power, and inherent strength of coal and steel industries, shld make it possible and desirable that necessary coal and steel financing be arranged internally by particular companies or by HA for particular companies, as part of overall HA investment program through private and public sources or IBRD, and that US aid as such shld not be necessary. HA has not developed its survey of industries and their needs for investment; it has made no approaches to private or public sources or IBRD for financing, has given no intimation to us that US aid is or will be desired, and probably will not determine its own position until its Jan report is completed.

2. Personally I have felt, however, that Moody Amendment funds were in a different category. Funds cld be placed through HA on a loan basis against projects shld they qualify to implement objectives of Moody and Benton Amendments,[2] and such support might very well give proponents of increased competition in coal and steel industries an additional means to make their efforts successful.

3. In suggesting to Dorr and Bellows, for your consideration, that only part of total Moody Amendment funds be programmed at this time, I had in mind the view that the part of the intended funds for each country being made available now, wld give them the opportunity to start on the program with the general understanding that more funds wld be shortly available, if the particular country program developed quickly and successfully.

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[1] Not printed; it discussed the question of U.S. financial assistance to the European Coal and Steel Community and inquired whether the High Authority was likely to request Moody Amendment funds. (MSA telegram files, FRC Acc. No. 54 A 298, "Paris Torep")

[2] For documentation concerning the Moody Amendment, which provided additional funds for the purpose of furthering free private enterprise objectives as set out in the Benton Amendment, see Documents 252 ff.

4. I also had in mind that within the next three or four months a workable Moody Amendment project of real importance might develop from the HA in which case we wld be in a position to consider it seriously. So far HA has not come forward with a specific program but officials of HA have expressed an interest in submitting a Moody Amendment Program for coal and steel industries in connection with preparation by HA of survey to be presented to CSC Assembly in January.

5. However, in view of the time factor and the real question whether HA cld work up projects which will meet the Moody Program requirements, we here agree that it is unlikely that any practical HA program can be developed for use of Moody funds this fiscal year. Therefore, I propose, unless you object, to authorize Tomlinson to tell Monnet (a) the coal and steel industries are eligible for Moody funds; (b) time factor and necessity our programming and getting Moody funds into use make it unlikely that projects proposed by HA several months from now cld be effectively implemented before June 30 next; (c) nevertheless, we wld be glad to be advised by HA of any practical projects coming within Benton and Moody Amendment criteria in coal and steel industries and that we wld try find some way implement if approved; (d) while no knowledge whether similar funds to be available next fiscal year, time factor wld permit us give HA and US much better opportunity consider at that time if new funds made available.

6. Main purpose is to counteract impression apparently given that door closed to Moody Amendment funds for coal and steel industries, since national govts no longer having primary interest and HA not yet in position to put forward productivity program. I suggest that if you feel entire funds need to be programmed by country now but with only partial immediate allocation, that all countries be advised that the programming figure will be later reduced if effective program not developed in time to use funds and if other opportunities arise to use funds effectively. This wld give opportunity to include coal and steel projects in country programs or alternatively to withdraw program funds in certain countries and use through HA if effective projects actually presented to us.

DRAPER

No. 134

850.33/11-752: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State [1]

SECRET LONDON, November 7, 1952—4 p. m.

2663. In view continuing discussion of Brit relations with CSC and other continental supranational organizations, fol restatement and summary Emb views may be helpful.

(1) Brit are not enthusiastic re continental federation and it is clear they will not in foreseeable future become full member any continental supranational org. Internal political opposition is so strong, no Brit Govt cld survive if it attempted force such membership. Resistance to continental involvement is part of still influential mystique of commonwealth and empire. In addition Brit do not look with favor on development any body which might rival HMG as claimant for special relationship with US. Brit are also traditionally distrustful of development any hegemony of continent and are particularly distrustful present developments as they fear they will lead to Ger domination.

(2) On other hand Brit will not actively sabotage development Eur Federation. They are unwilling to place themselves in opposition to US on this subj. They are fully aware strength of trend toward Federation and have therefore, decided to make the best of a not too favorable world from their point of view. Constructive Brit leadership in early development OEEC illustrates Brit reaction in this type of situation. Eden's attitude public and private toward federation indicates clearly that basic Brit decision not to fight development has been made.

(3) Current Brit policy is directed toward achieving a position of maximum influence with minimum responsibility. While this policy implies Brit linkage to 6-country institutions, precise character workable arrangements have apparently not been thought through by anyone. Desire for Brit association is, of course, also strong in many continental circles of which Mollet leading representative. Brit apparently believe that in this situation their interests can best be served for the present by keeping their position fluid and surrounding themselves with a certain amount of calculated confusion. As pointed out Embtel 1474, Sept 13, [2] they are perfectly willing to carry this to point of embarrassing their representatives in the field. Weir's inability to reply to Monnet's pointed

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[1] Repeated to Paris, Bonn, Luxembourg, Rome, The Hague, and Brussels.

[2] Document 107.

and logical ques (Paris Polto 500, Oct 21 [3]) is probably illustration this tendency.

(4) We believe that in this situation US interests wld be best served by not taking positive part in attempting work out relationships problem. Arrangements worked out by Brit and continental protagonists themselves seem much more likely to result in constructive and stable development than measures adopted under what wld inevitably be interpreted as Amer pressure, no matter how gently we attempted to apply it. On basis both this and preceding para we have reservations re utility high level talks with Brit along lines discussed numbered para 1 Paris tel 2359, Oct 16. [4]

(5) While we realize that CSC relationships are important, delicate matters which must be developed with great care, we wonder whether there is not tendency (for instance, first phrase para Nbr II Depcirtel 405 Oct 5 [*10*] [5]) to overstress pertinence traditional concepts of "sovereignty" in consideration these relationships. We believe it might be more practical regard currently developing continental supranationalism as modification traditional sovereignty concepts to meet needs modern world. Viewed in this light, consideration Brit relationship to CSC might concentrate less on legalistic argument re sovereignty and more on determining what Strasbourg powers really intended by their approval Eden Plan and what is mutually beneficial and politically practicable. [6]

GIFFORD

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[3] Document 126.

[4] Document 124.

[5] See footnote 6, Document 118.

[6] In a memorandum to Perkins, dated Nov. 12, Raynor noted the importance of the comments on the concept of "sovereignty" contained in paragraphs 4 and 5 of this memorandum. Raynor also stated that he felt that the British were disposed to work out practical and constructive means of playing a role in the new European institutions and that the soundest course of action for the United States would be "to let this develop between the Europeans and the British without our injecting ourselves into it." (Camp files, lot 55 D 105, "EPC—1952")

No. 135

850.33/11-352

The Under Secretary of State (Bruce) to the United States Special Representative in Europe (Draper), at Paris [1]

CONFIDENTIAL [WASHINGTON,] November 13, 1952.

DEAR BILL: Thanks for your letter of November 3. [2] I talked to George Humphrey on the telephone as soon as he returned from Labrador. I explained to him as well as one can by that means what we had in mind and he said he would be sufficiently interested in it to come down and discuss it with me after the election. He thought that he would be here next week. If I have not heard from him by that time I will telephone him and try to persuade him to come in as soon as possible.

In regard to your idea about Henry Parkman, I think very highly of him. It so happens, however, that the day I received your letter John Kenney and Fred Anderson called on me. Fred talked about Lowell Weicker, who is a great friend of mine and who is anxious to take on some sort of government service since he has merged Squibb with Mathieson Alkali and is now inactive in business.

As between the two men, I think Lowell would suit your purposes better since he is very fluent both in French and German and has had a great many contacts with leading businessmen in both countries. In addition to that, he would like to live abroad indefinitely.

Therefore, we all thought it was better for Fred to talk this matter over with you upon his return.

The feeling here in the Department is that it would be quite impossible to name Weicker or anybody else with a title stemming from President Truman. The President does not intend to make any more appointments carrying diplomatic rank during his term of office. Moreover, until the new Administration comes in, it is quite impossible to predict what it will decide to do regarding this or any other representation. In addition, I understand that the new Administration may want to consider what eventual form they wish representation to all of the European integrated organizations—if they come into being—to take.

I think John Kenney, Fred and I are all in accord that, since Fred would like to have Lowell on his staff if Weicker likes the idea, he could go over as one of your employees and be assigned by you to work on the Schuman Plan or in whatever capacity you think for the time being would be most useful.

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[1] An earlier draft of this letter and suggested changes made by Perkins in a memorandum to Bruce dated Nov. 10 is in file 850.33/11-352.

[2] Document 132.

Although I do not know the situation well enough to have any special conviction about it, I should think that Weicker or someone else might be very useful to you in connection with your current responsibilities for keeping in touch with Schuman Plan developments. However, I think that it would be a mistake to give him any formal designation, such as the British have given to Weir, even on a temporary basis, and that we should avoid any further formalization of our relationships with the High Authority until after the new Administration has had a chance to consider the whole question.

You simply can't imagine how much speculation about organization, personnel, and a variety of other matters is raging in Washington at the present time. Nobody knows nothing.

With kind regards,

Very sincerely yours,

David Bruce

No. 136

850.33/11-1852: Telegram

The Minister in Luxembourg (Mesta) to the Department of State [1]

SECRET LUXEMBOURG, November 18, 1952—3 p. m.

93. From Tomlinson. Hill, European rep of Internatl Bank for Reconstruction and Development, suggested to Monnet that High Authority issue an invitation to Eugene Black to come to Luxembourg. Purpose would be to have preliminary talks on possibilities of World Bank providing financial assistance to Schuman Plan. Hill stressed that early talks were particularly desirable from viewpoint of public relations. World Bank anxious to demonstrate to Europeans its interest in their problems and its availability to assist them in their major endeavors.

After consultation with High Authority, Monnet replied to Hill that eventually High Authority would wish to talk "not just public relations but business". However, a visit by Black at this time would cause considerable speculation on favorable prospects of High Authority for immediate financing and might give rise to considerable difficulties. Monnet explained that before talks could be useful High Authority must work up at least general lines of its own program so it knows where it stands. High Authority expects to have many claimants for investment funds and part of process of drawing up program will be to beat down their demands to reasonable figures. Talks with World Bank before reasonably firm figures can be discussed would encourage industries and governments to rely too heavily on High Authority for financing. Monnet concluded that not only would this result make immediate tasks of High Authority more difficult but excessive expectations would lead to disappointments later even if substantial financial assistance became available.

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[1] Repeated for action to Paris (SRE attention Draper) and for information to Bonn, London, The Hague, Brussels, and Rome.

Monnet hopes, however, that he might see Black informally and quietly during his visit to Europe, perhaps in Paris.

MESTA

No. 137

850.33/11-2152: Telegram

The Minister in Luxembourg (Mesta) to the Department of State [1]

CONFIDENTIAL LUXEMBOURG, November 21, 1952—3 p. m.

97. From Tomlinson. Subject is coal and steel community British association. ReLegtel 90 sent Paris 45, Nov. 17;[2] Deptel 51 to Luxembourg, Nov. 5 [*4*].[3]

1. Except for statements re Monnet and United Kingdom delegates, first meeting of joint comite [4] did not deal with substantive questions. High Auth propose British fill out same questionnaires as special commissions (see Polto 485, Oct 18;[5] Legtel 75, sent Paris 36, November 11 [6]) now gathering information and advice to be

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[1] Repeated for action to Paris (SRE) and for information to London, Bonn, Brussels, The Hague, and Rome.

[2] Not printed; it transmitted to the Department of State an exchange of statements released to the press by the Joint Committee during the Committee's first meeting on Nov. 17. (850.33/11-1752)

[3] See footnote 3, Document 130.

[4] Minutes of the First Meeting (First and Second Sessions) of the Joint Committee, given to U.S. officials by the British Delegation, were transmitted to the Department of State in despatch 26 from Luxembourg, Dec. 8. (850.33/12-852) The two delegations, the British Delegation led by Sir Cecil Weir and the High Authority's by Jean Monnet, met in Luxembourg on Nov. 17 and 24 at the offices of the High Authority.

[5] Not printed; it reported on the organization of the staff of the High Authority and the consultative commissions. (740.5/10-1852)

[6] Not printed; it summarized the preparatory work by the High Authority in the formation of the Commission on Supplies and Requirements. (850.33/11-752)

used to prepare High Authority's report in January. Working group appointed to determine extent this will be possible. British representative commented that no one seemed to have anything especially in mind except that this procedure would enable British to give exactly same information to High Authority about United Kingdom industry that British will receive from High Authority about European industry. Idea is that joint comite will examine and analyze information on industries in both countries in much same way as special commissions are now doing for European industries.

2. Neither High Authority nor British expect much joint work to be accomplished until next year. High Authority is now very pressed on its own problems and especially on task of finishing first draft of report in December. As one member of High Authority puts it "each day with British is a day lost for us in getting ready for common market."

3. Same preparations are now being made for second meeting of joint comite (on steel) answer made for first meeting. Industry and labor representatives will always work with resident United Kingdom delegation but of course top representatives are only expected at first two meetings or on other special occasions. Representative of British steel industry has talked to Monnet about statements to be exchanged next Monday. British representative would like Monnet to refer to High Authority so agitation under treaty to establish set of common rules assuring establishment and observance of competitive conditions emphasizing that industries themselves are to make decisions on operations and production and that High Authority's purpose is not to intervene in decisions of management. He believes that if Monnet made such a statement and invited British steel representatives to consider whether British steel industry should wish to observe these common rules, it would tend to create pressure for British steel industry to be under private ownership.

4. Personal conversations with British industry and labor representatives seem to confirm that Foreign Office is under considerable pressure from industry and labor on relations with coal and steel community. Member of coal board remarked "we (British) should get used to exchanging information and then sit down and get ourselves as involved with community as our political people will let us".

Mesta

No. 138

740.5/12-2952

The Minister in France (Achilles) to the Deputy Under Secretary of State (Matthews) [1]

PERSONAL AND CONFIDENTIAL

PARIS, November 28, 1952.

DEAR DOC: The impending change in Administration is probably leading a good many people to try to evaluate the activities or policies with which they have been most closely concerned. I enclosed my two cents' worth in the attached "Evaluation of our Policy toward Europe as of December 1952."

Jimmy Dunn has indicated general agreement and strongly endorses certain points. I do not wish to commit him even by implication, however, to some of my own far-reaching ideas. He has kindly offered to send his own comments on the paper, which will either accompany this or follow shortly. [2]

Incidentally, I did not know of Doug MacArthur's letter of November 4 [3] to David Bruce until after the enclosed had been written, nor had I happened to have any particularly comprehensive discussions with Doug in recent weeks. I find, however, that we have both obviously preoccupied with the same problems and thinking along basically similar lines, although I have had the temerity to include some more radical opinions. I enclose a couple of extra copies, one for Doug and one for George Perkins, Jeff Parsons, Ridge Knight and anyone else who may be interested in EUR.

The depth of the convictions expressed in the memorandum lead me to hope that they can have their two cents' worth of influence on the thinking of those, whether permanent or newcomers, who will be developing the new Administration's thinking on these matters while it is in its present formative stage. However, I gladly leave to your own good sense to do whatever, if anything, you think best in this regard.

[Here follows a paragraph of personal remarks.]

As ever,

TED

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[1] Attached to the source text was a memorandum by Matthews, dated Dec. 16, in which he circulated the Achilles letter and attached memorandum for comment to Bruce, Perkins, Bonbright, MacArthur, Parsons, Knight, and Ferguson. Matthews also appended a letter from Dunn, dated Dec. 10, which supported everything that Achilles wrote.

[2] See footnote 1 above.

[3] Not found in Department of State files.

[Enclosure]

Memorandum by the Minister in France (Achilles)

CONFIDENTIAL [PARIS,] November 28, 1952.

EVALUATION OF OUR POLICY TOWARD EUROPE AS OF DECEMBER 1952

1. Have we been right in concentrating our major anti-Soviet effort in Europe?

Yes. It has been as necessary in peace as it was in the war to concentrate our strength first to hold the vital bastion of Western Europe. However, we are approaching the point where Western Europe and the Atlantic area will be relatively secure and we can already begin to divert some of our effort from the European theater to buttress other vulnerable points.

2. Have we been preparing ourselves against the wrong kind of war?

There is no simple answer. The present "war" is psychological and the chances are it will stay that way, but it has been essential to recreate strength to withstand encroachment and intimidation by the threat of force, in Ernest Bevin's words: "to mobilize such material and spiritual strength as will inspire confidence and energy within and respect elsewhere." We have now developed sufficient momentum behind the defense effort, however, to turn our attention increasingly to the economic, political, psychological and moral fronts. It is essential that we do so.

3. Do we really want Europe to unite?

The progress toward unity in Europe during the last five years shows a rapidly growing realization that wholly unregulated national sovereignties are inadequate to deal with today's problems and that new patterns of international or supranational organizations are necessary. It is easy for any American politician to urge European unity, but if unity is good for them, it should also be good for us. A Europe united outside the framework of the Atlantic Community would not be in our interest; there is too great danger that it would be neutralist or unable to withstand Soviet pressure or both. A Europe united within a developing Atlantic unity may or may not be in our national interest; it can be most helpful psychologically and experimentally, as the Brussels Treaty was in preparation for NATO, but as Atlantic unity develops, we may find a six-nation knot within it an unnecessary and possibly harmful complication. The basic question for America, however, is what is in our interest to do in developing Atlantic unity.

4. Is NATO working?

Undoubtedly. Senator Vandenberg was right when he said that the mere existence of the North Atlantic Treaty would be far more important than anything done under it. It has made unmistakably clear the basic link between the U.S. and Europe. It has fulfilled most of Bevin's vision of "inspiring confidence and energy within and respect elsewhere". Confidence has certainly grown but unfortunately it has been accompanied by more complacency than energy. This is a primary cause of current NATO troubles. On the other hand, there can be no doubt of the respect it has inspired in Moscow. Both the tactical "moderation" shown in the last year in the Kremlin's European policies and actions and the major emphasis Moscow now places on separating our allies from us is clear evidence of the success of our Atlantic policy.

5. What are the causes of NATO's strength?

First it is essentially realistic. It correctly reflects the basic community of heritage, of spirit and of interest of a limited number of nations. Secondly, it is inherently practical. It has fumbled and experimented and reorganized, but it has nevertheless concentrated on getting specific governmental agreement on concrete measures which were urgently necessary. It has avoided the dispersion, the debate, the technical detail and the "do-goodism" which have vitiated the efforts of so many international organizations. The combination of realistic basis and practical approach give it a strength and vitality possessed by no other international organization.

6. What are the weaknesses of NATO?

Its basic weakness is that it is not good enough. It must steadily develop or it will inevitably retrogress, if not fall apart. It has, perhaps of necessity, concentrated too much on purely military matters. Senator Vandenberg used to reiterate that if NATO were to succeed it must be far more than a military alliance, that if it were no more than that, it would be at the mercy of any reasonably plausible effort by the Soviet Government to appear peacefully inclined. It has failed to realize in practice the inspiration which the Secretary and various other Foreign Ministers envisaged for it at the time of signing, or to capture popular imagination and hopes to the extent that either the U.N. or the idea of "European Union" have done. Several governments, including our own, have been reluctant to give their representatives enough authority to take decisions within broad instructions. This has led to over-preoccupation with the negotiation of details rather than of major issues.

7. What does NATO need most?

Faith, unity, broadening of horizions and closer links to national parliaments. To inspire public opinion it needs to inspire faith that the member governments are going to work progressively toward realization of the ideal of Atlantic unity, not merely toward security but toward greater human values. It must, while keeping its feet firmly on the ground, get its head higher in the air, look further forward and move faster. It needs to exert every effort to develop unity of policy and action concretely with respect to current issues; it has made a good start in this field but much more needs to be done and can be done relatively easily. It needs to broaden its activities much further into the political and economic fields, however difficult the specific problems may be. It needs much U.S. leadership of the kind that pulls from in front, not the kind that pushes from the rear. It needs, to insure realism, effectiveness, and broad support, closer links with the parliaments of the member countries. As an example, the investigations abroad during the last two years of NATO and aid matters by mixed groups composed of representatives of the Foreign Relations, Armed Services and Appropriations Committees of both Houses made a world of difference in Congressional action. There should be regular study and consideration of annual NATO programs, as soon as they have been finalized by the Council, by groups of key men responsible in each NATO parliament for passing upon and implementing those programs. These groups would sit together as a NATO parliamentary body to investigate and exchange views on the adequacy, necessity and practicability of the program and whether each nation was doing its full share. The body would, initially at least, have no power as a body but the influence of the national groups in their own parliaments should be strong and constructive.

8. How can we best combat Russian efforts to divide the West?

Primarily by intensifying our efforts to consolidate and deepen Western, primarily Atlantic, unity. This involves treating our partners really as partners rather than as satellites. We have been good about this, and largely successful, in NATO itself, whether in the Council, Deputies, SHAPE or even the Standing Group, where the problem has been particularly delicate, but we have been markedly less so in certain aspects of our dealings with our allies outside NATO channels. It involves consulting our partners much more and much earlier in the process of formulating our own policies and a real effort to take their views and interests into account. It involves patience. It involves paying much more attention to human values and to the psychological effect of our actions. We can greatly reduce the numbers of our personnel abroad, with profit not only to our budget but to our foreign relations as well. Our influence is inevitably so great that we exert it most effectively when we act gently, tactfully and subtly, not when we have hordes of military and civilian officials all over Europe trying at all levels to tell our friends exactly what to do or think. Finally, we can devote more effort to taking the psychological offensive, to stimulating international discussion of questions which will embarrass and harass the Russians rather than merely waiting to rebut their efforts to embarrass and harass us.

9. What can NATO do in the economic field?

The two principal arguments against NATO dealing with economic problems are that (a) some international agency already exists to deal with every known economic problem and (b) economic problems are more nearly worldwide than regional in extent. This is no reason, however, why the NATO nations should not consider any economic problem from the point of view of our common Atlantic interests, utilize other agencies, for fact finding or even for particular operations, and concentrate upon the practical problem of obtaining agreed governmental action. Their relatively high degree of community of interest should both encourage and facilitate the tackling of particularly intransigent economic and financial problems, notably the dollar gap. On the theory that the smaller the number of countries involved, the easier it is to reach effective agreement, the Treaty specifically provides for "economic collaboration between any or all of them."

10. Must we continue aid?

We must stop the artificial and mutually unhealthy aid process just as soon as practicable. Certainly "trade rather than aid" is the answer. Before we can safely stop the blood transfusions, however, we must make progress in curing the disease of productive imbalance between the U.S. and most of the rest of the world. We face a real problem of timing because the cure is going to be long and difficult while the donor is getting restive. While a number of countries will continue to need cash, the practical effects of a wave of confidence inspired by knowledge that the U.S. was prepared to participate fully in a major cooperative effort really to cure the imbalance would be considerable. U.S. tariffs are probably the least important element, except psychologically, followed in ascending order by agricultural and similar restrictions, exchange rates, prices, interchange of know-how and techniques, the climate for investment and finally productivity. As long as U.S. productivity continues so far above that of other countries and we continue to develop substitutes and synthetics for everything we have not got, there would still be chronic imbalance even in a world completely free of tariffs and exchange restrictions. The only real cure will be the development of a single economy composed of the U.S. and a progressively larger number of countries whose economic health (and security) we consider important to our own. To develop such an economy will require all the wisdom and imagination we can muster, but one way of working toward it would be to set it as an announced goal and to undertake a deliberate and organized attempt to develop with certain European countries (UK?, Commonwealth?, Scandinavia?, "Schumania"?, all of NATO?) economic relations at least as close as those we have with Canada; i.e., which provide a high degree of interchange of investment, branch factories and managerial and technical skills, supplemented by the development of progressively closer consultation on economic, financial and fiscal policies.

No. 139

740.5/12-152: Telegram

The United States Special Representative in Europe (Draper) to the Department of State [1]

CONFIDENTIAL PARIS, December 1, 1952—11 p. m.

Polto 844. Cotel. Ref: Topol 471. [2] Subject: Informal meeting of SR and HA-CSC.

1. Lunch and informal discussions in Lux on Nov. 29 with members and staff of HA went very well. Under Monnet's chairmanship, staff explained problems facing them in near future, particularly those in connection with opening of single market for coal Feb. 10 and later for steel, and provisional conclusions they had reached. Monnet asked that we arrange to have coal and steel advisers in Lux next week to permit fuller exchange of views on report HA is preparing for assembly in Jan.

2. I discussed questions of meeting between US and HA and best terminology for joint organization or comite in separate conversations with Monnet and Etzel. We agreed that meeting could not take place before NATO Council meeting was concluded and Monnet was not prepared to say whether meeting was necessary from his point of view before CSC assembly session on Jan. 10. I suggested, since functional differences were obvious, that "Consult-

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[1] Repeated to Luxembourg.

[2] Not printed; it noted that the Department of State did not want to finalize arrangements concerning representation with the Coal and Steel Community before the new administration took office. (740.5/11-2852)

ative Comite" or "Joint Consultative Comite" might be preferable. Monnet said that, of course, they did not wish to insist on name "Joint Comite" for our periodic meetings but asked that we not decide against it until after US and HA had worked together on a few questions and until arrangements with Brit had proceeded further.

3. Monnet said that he and his colleagues much preferred the same name as the one used with the Brit. The overriding consideration is to avoid creating any impression that there has been a ["] step back in US support". Relations with Brit are going remarkably well, but, in his view, this progress is founded on knowledge that "US is moving forward with determination in its support of Schuman Plan". He said that it was this genuine and open support which made success of Schuman Plan negotiations possible and that same support was necessary if "the enterprise itself is to succeed".

Even a suggestion of reconsideration, however unfounded, might have most unfortunate effect on UK attitude.

4. Monnet stressed that, while parallel phraseology was desirable, there would, of course, be a great difference in common problems and relations with UK. This difference was recognized and accepted as natural by all interested Eurs. However, if a different name is used on a matter of this nature, immediately the newspapers, the labor unions, the industries, and the govts, and particularly the Brit, may begin to ask why US is holding back.

5. Etzel commented emphatically in same vein and said that he was also speaking for Chancellor Adenauer, President of CSC Council of Ministers, who had discussed question of US and UK relations at length with him and Monnet. In asking that we consider their comments carefully before our next talks, Monnet and Etzel concluded by statement that making CSC a working reality was their task and they would do it. They said, however, that they want and need our support, emphasizing that they were speaking of support in sense of clear political recognition and useful cooperation.

6. After these talks, and particularly in view of Adenauer's personal plea, I am convinced that we should agree to name, "Joint Comite", making it clear publicly at time this is announced that our relations will obviously differ from those of the Brit. As I have said before, I consider the name itself of little or no consequence. The important thing is (1) the nature and substance of our discussions and cooperation which can and should develop naturally as the authority's program develops, and (2) that we do not appear to be holding back or changing our now well known support of the CSC.

7. Frankly, I do not think we need await the new administration on the question of the title of the comite through which we carry out our consultations with the authority and I fear that to say so to Monnet or Adenauer would indicate a degree of present impotence which might have very undesirable consequences. The relationship which the new administration has with the authority will be whatever the new administration wishes but will not be affected by the form or title used. Monnet showed me a personal cable from Dulles assuring him of Dulles continuing interest in the integration of Europe. There is certainly no objection to getting Dulles reaction if you think this desirable, but I would dislike postponing a decision much longer.

8. Would much appreciate your views and if possible your concurrence.

DRAPER

No. 140

Editorial Note

On December 1, the Council of Ministers of the Coal and Steel Community met in Luxembourg for negotiations with the High Authority on the question of the rate of the levy on coal and steel which the High Authority would impose on the member countries as well as the question of the timing of its entry into force. Agreement was reached on these issues, but not on the question of the method of assessment and collection. Agreement was also reached on the composition of the 51-member Consultative Committee, comprising 17 representatives each from the producers, the workers, and the users of coal and steel. (Telegrams 106 and 107 from Luxembourg, December 3 and 4; 850.33/12–352 and 850.33/12–452, respectively)

The Council of Ministers met again for a brief meeting in Luxembourg on December 23 for a formal discussion on the method of assessment and collection; agreement was reached on these issues thereby allowing the High Authority to finalize its regulations on the levy. (Telegram 124 from Luxembourg, December 24; 850.33/12–2452)

No. 141

Editorial Note

On December 12–13, the 200th meeting of the Council of the Organization for European Economic Cooperation took place in Paris at which the United States was represented by William H. Draper, Special Representative in Europe. The session on Friday, December 12, was devoted to a review of the work of the OEEC during the previous 12 months. The session on the following day, in which Draper was joined by W. Averell Harriman, Director of Mutual Security, and John W. Snyder, Secretary of the Treasury, concerned a discussion of the OEEC's program of work for 1953. The minutes of this 200th meeting are in OEEC files, lot 56 D 217, "C/M(52)37".

No. 142

Conference files, lot 59 D 95, CF 131

Memorandum of Conversation, by the Secretary of State [1]

TOP SECRET [PARIS,] December 14, 1952.

Participants: Secretary Acheson
M. Jean Monnet, President of the High Authority of the Coal and Steel Community

Mr. Monnet called at his request, having come to Paris from Luxembourg. [2] He wished to talk with me about the present status of developments looking toward European union, with particular reference to the current crisis over the European Army. [3]

Mr. Monnet asked me first to tell him what the impression was in the United States, including my own impression, of the present situation of the Schuman Plan and of the discussions looking toward a political union. I said that, speaking of usually informed American opinion, I thought that there was absolutely no current knowledge of any activity. So far as I personally was concerned, I was in the same situation. I had known about the inconclusive and somewhat discouraging meetings of the Ministers, which had ended in the organization of the High Authority at Luxembourg. I had heard nothing whatever it had done since its organization. So far as the *ad hoc* committee on European political union was concerned, I was under the impression, and I thought most other Americans were, that it was practically in "cold storage". Mr. Monnet seemed to attach great significance to this reply and said that it was most important that something be done to inform people of the current situation, which he believed to be very hopeful. He then discussed it as follows:

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[1] This conversation was summarized in telegram 3507 from Paris, Dec. 16. (740.5/12–1652)

[2] Secretary Acheson was in Paris to attend the meetings of the North Atlantic Council held Dec. 15–18.

[3] For documentation concerning the attitude of the United States toward the establishment of a European Defense Community, see vol. v, Part 1, pp. 571 ff.

> The High Authority was formed and operating successfully. It was already having an impact upon business and economic affairs. The broad market comprising the six countries would be inaugurated in February. Already manufacturers were adapting their business to it. French manufacturers were making contracts to sell in South Germany. Ruhr manufacturers were making contracts for delivery in North Africa. At the same time, the ore committee was in operation. It was preparing to sell French ore in quantities to Belgium for the first time and arrangements were being made for a considerable increase in French ore production for this purpose, as well as for the purpose of the broader market.
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> The High Authority, which had the power to impose a tax up to 1% on the annual production of all manufactures, would announce in December the imposition of a tax to take effect in February. This would produce in the neighborhood of $50,000,000 a year, which would go into a revolving fund for loan purposes to increase facilities. He thought the operations of the plan had already completely changed the method of thinking of both the producers and consumers of coal and steel and of parliamentarians in the six countries. Regarding the unionization of this industry, he thought it would very shortly have even more far-reaching effects which would condition thinking both in regard to the European Army and in regard to the political unification proposals.

He then turned to the question of the EDC. He thought that this situation should be divided into two parts. One was the court crisis in Germany, which he regarded as very serious and as to the solution of which he had no specific suggestion. The other part related to the longer term view, assuming that this German crisis could be overcome.

As to the first of these matters, he said that the great danger was that in getting through the constitutional law question Adenauer had to resolve the problem without creating the impression in Germany and elsewhere that the Government was setting aside the constitution since otherwise he would greatly disturb all democratic opinion in Germany and would also create the impression in France and the other countries that Germany was again moving in a totalitarian direction. He said that he had talked to Hallstein yesterday, telling Hallstein that he was going to see me. He asked Hallstein whether the present crisis reflected any change in policy or uncertainty about policy on the Chancellor's part. Hallstein had assured him that this was not the case, and that the Chancellor was resolved to press forward with the matter of ratification, but that he had to be careful to solve it without incurring the dangers mentioned above. Monnet said that he believed that this did represent the Chancellor's view and that the Chancellor was sincere.

Turning to the broader question, he said that he believed that both the Coalition and the Socialists were strongly in favor of European unification. Among the Socialists, he thought that this feeling was deepest in the trade unions. His talks with Germans, both in connection with the Schuman Plan and with trade unionists and Socialists, led him to believe that the foundation of this attitude was that these Germans felt that the greatest danger to liberty in Germany was being left alone. They needed and wanted the support of unification with the other free peoples of Western Europe. They had all in various ways said to him that the emergence of a totalitarian party and movement in Germany, if Germany were alone, would result in his phrase, which he quoted from German, of the great mass of Germans "taking the color of the wall". He meant by this, he said, that in view of past experience Germans would not take the risk of opposing the totalitarian movement in an isolated Germany because that had been a fatalistic belief that it would succeed even though it started as a minority, and that those who opposed would be marked for destruction. He said that in private Adenauer had assured him that he was in favor of unification with Western Europe even before unification of Germany, but that it would take him a little while to be able to work around to this view publicly.

Coming more specifically to the EDC issue, he believed that the labor unions were in favor of EDC. The Socialists as a political party were against all rearmament whether in the form of EDC or a national army, but more especially against the latter. They believed that they could not control their generals and they felt that the EDC, as modified in its later stages as the result of Van Zeeland's intransigeance, had not produced a European army under civilian control but had in Monnet's phrase created a "cartel of generals". He thought, therefore, that it was of the greatest importance to get quick action along the lines of political unification at the same time that the ratification of the EDC was going forward. He thought that in both cases action must be taken quickly but that great care should be taken not to press the EDC purely as a military expedient or too much in advance of progress in the political field.

Turning then to political unification, he said that the primary problems came from the British and the Belgians. The secondary problem came from the French Socialists. American political help was very important in helping to resolve these two since if they were not resolved, progress could be made neither with the EDC nor with political union. He explained this situation by describing what he thought was necessary and what he thought could be done very quickly if the obstacles mentioned above could be withdrawn. What was essential was that there should be a real yielding of sovereignty in specific fields. It was not enough to have machinery, even complicated machinery behind a considerable facade, to reconcile and bring together national policies. He gave illustrations to show that it was impossible to break through traditional moulds of thought, if one maintained the complete idea of national sovereignty in the fields concerned. The moment a new promise, that is, a merging of sovereignty, was made, then thinking proceeded upon a new basis. It was also necessary to create a new institution, which sprang directly from the people themselves; otherwise they had no participation and the institution had no reality or life. Therefore, his view of the new political institutions was that they should be based upon a European parliament elected by all people of the six countries and exercising legislative power in a prescribed field. This parliament would create the executive in accordance with the parlimentary system. This parliament and executive should exercise sovereign power in what would be at first a limited field. He would not extend the field at the outset beyond that covered by the Schuman Plan and by EDC. Other things would develop later on but very soon it would not be necessary to cede to the new parliament greater substantive powers than had been ceded under the Schuman Plan and the EDC. The parliament's function and legislative authority, as well as that of the executive, would be in creating new, more workable and merged administrative and executive arrangements for carrying out the substance of the Schuman Plan and the EDC. This would very soon disclose the necessities for furthering grants of sovereign power in fields ancillary to the two primary ones and which he thought would not be very difficult. Among them would be limited powers of taxation.

One of the first and greatest benefits and reassurances of this development would be to put the European Army under political and civilian control. The present arrangements in EDC were wholly illusory, the Council of Ministers, etc. These present arrangements would either result in inefficiency or in their being swept aside and the control taken by the military themselves. He thought it was a mistake to attempt to amend or patch up the EDC. He was in favor of accepting it as it was and improving it through the new political authority.

He believed that the *ad hoc* group would come up with proposals along these lines unless it was altogether frustrated by Van Zeeland. The hope was that Van Zeeland would be eliminated in the next elections. He thought that Spaak was in agreement with what Monnet described above.

This being the necessary line of development, in his opinion, the British and the Belgians, the latter for the reasons stated above, presented a great obstacle, and he thought no real progress could be made unless and until the British were straightened out. He was not sure whether the British attitude sprang from a real opposition to European unity or from muddle-headedness, or from both. But the ideas which they were putting forward, whether at Strasbourg or elsewhere, always ended up in a loose association, in which all national sovereignties were preserved intact, and in which the alleged representatives who met really represented nobody. The idea to which the British must come, if there was to be progress, was that they should support and not impede true unity on the continent and then associate themselves, without giving up their ultimate sovereignty, with the new united Europe. As an illustration of what might be done, he referred to his talks with the British about possible developments in relation to the Schuman Plan. He believed that the British in that case should work toward an arrangement, by which the British, through voluntarily accepting the same standards and rules which the Schuman Plan put into effect, would be admitted to the benefits of the larger market to the extent that their adoption of these rules and standards permitted. They would always remain free to change their own action, but at the cost of losing benefits. The same general development could take place in regard to the political union of Western Europe in association with the British. He thought that one of the greatest contributions we could make would be in inducing the British to adopt this attitude.

He then turned to the French Socialists. Their difficulty, he said, was not inherent in the French Socialist Party, which would like to go along with the idea of European unity but sprang from the attitude of the German Socialists and of the British. The French Socialists, he said, felt lonely and outnumbered in what they regarded as a predominantly conservative and catholic association. They would feel wholly differently if the German Socialists came along and if Britain took the attitude mentioned above.

He concluded by saying that while there were many dark clouds in the European sky, he did not think that the situation was basically depressing. In fact, he believed that it was basically encouraging, with three provisos: (1) that the crisis in Germany could be surmounted; (2) that the British would be cooperative and (3) that the new administration in the United States would continue the policy of unification of Europe, in regard to which he believed from his talks with General Eisenhower that the General believed in it very deeply indeed. He reiterated that current developments in the Schuman Plan were, in his opinion, having an effect of the most profound importance and would continue to have this effect to such an extent that, if given a chance, they could profoundly alter the whole attitude toward and speed of movement toward European unity.

He then asked me how I viewed the situation. I said that what he had told me in regard to these Schuman Plan developments was new to me, but unquestionably important and encouraging. I was glad to be encouraged because the situation had seemed to me most depressing indeed. Last June, I had hoped and believed that there was a spirit and momentum toward European unity, including ratification of the EDC, which would in the year 1952 carry all of these matters so far along the road that neither Soviet obstruction nor the natural hesitancy of nations to take such far-reaching steps could prevent the accomplishment of something almost unparalled in history. However, it had seemed to me that the momentum had been lost, retrogression had set in, and that we might now be on the very verge of complete disaster. I pointed out the amazing distance which the United States had gone in responding to European initiatives, which were as brilliant as they were novel—the OEEC, the Marshall Plan, the North Atlantic Treaty, the development of the unified command with its concomitant of the restoration of German sovereignty and German participation and the stationing of American troops in Europe. All of this I said, in my jugment, depended for its continuance upon Europe going through with the plans and ideas which it had originated, and developing here a community politically united, strong economically and militarily, which we could and would continue to support as the central point of our foreign policy. However, if the European effort fell apart, all basis of American policy would begin to disintegrate. It was not an easy thing to maintain the American ground, air and naval forces in Europe which we will maintain in view of the great need for those forces in other parts of the world, particularly in Korea, where, for instance, we have no army reserve of any sort whatever. It was worthwhile and necessary to do what we are doing, if by so doing we were helping the Europeans themselves to build a new and strong Europe. It was quite quixotic to do this if the Europeans themselves gave up the struggle. If the EDC went to pieces, I saw the gravest difficulties opening up for the new Administration. It is hard for me to see how Germans and Frenchmen, who had seen us go so far to meet real statesman-like efforts on their part, could risk their own defense and future in the way which was now going on. I did not see that there was very much, if anything, that I could do now, representing an administration which had only a few weeks of responsibility left. I could not say that we had overlooked or neglected anything which we could have done in the past.

Monnet thought that it would be helpful if Schuman, Eden and I could make another declaration strongly supporting the unification of Europe, including the EDC, and he referred to the importance of the statement which had been made by Morrison, Schuman and myself in September 1951,[4] and by Schuman, Eden, Adenauer and me after our Paris meeting in May 1952.[5] I said that I could not propose such a declaration at this late date and doubted whether Mr. Eden and Mr. Schuman would think it appropriate since they would probably believe that it was more important what the new Administration thought than what the old one thought. Monnet agreed with this. He said that it would be most helpful if NATO could make some declaration but wondered whether we could get anything past Van Zeeland which would be strong enough on the general theory of unification. He thought it a mistake to single out the EDC and treat this by itself solely as a military problem. He thought that this would not be the way to get support in Germany and France. However, if it could be put in its proper setting, it would be helpful. He thought that it would be most helpful if Mr. Dulles and General Eisenhower find some appropriate opportunity to express their support for the European movement, including the EDC. He expressed the view that from his knowledge and conversations with both of these gentlemen, he believed that they felt strongly that it should be supported. I said that I could not tell whether they would regard such a statement as appropriate.

Mr. Monnet said that he was going to see Mr. Harriman today and would have talks with various French leaders. He might wish to get in touch with me again today or tomorrow.[6]

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[4] For the text of the Tripartite Declaration of Sept. 14, see Department of State *Bulletin*, Sept. 24, 1951, p. 485. For documentation concerning the Washington Foreign Ministers meeting Sept. 10–14, 1951, see *Foreign Relations*, 1951, vol. III, Part 1, pp. 1163 ff.

[5] For the text of this Triparitite Declaration, May 27, 1952, see vol. V, Part 1, p. 686, or Department of State *Bulletin*, June 9, 1952, p. 897.

[6] For a record of Monnet's meeting with Acheson on the following day, see the memorandum of conversation by Kitchen, Dec. 15, *infra*.

No. 143

Camp files, lot 55 D 105, "CSC—1952"

Memorandum of Conversation, by the Special Assistant to the Secretary of State (Kitchen)

TOP SECRET [PARIS,] December 15, 1952.

Participants: Mr. Monnet
Mr. Acheson

The Secretary had another talk this evening with Mr. Jean Monnet. Mr. Monnet said that he had spoken with Von Brentano, a German, who was in town in connection with Schuman Plan matters and who was very close to Chancellor Adenauer and that Von Brentano had said that the line which Mr. Monnet had taken with the Secretary in the conversation yesterday was exactly the right line—i.e., he agreed that emphasis on the military aspect alone in any pronouncement or statement would result in an unfavorable action, whereas if a military aspect were integrated with a reference to other collective efforts in Western Europe there would not be the same undesirable result and that efforts at European integration would be aided.

Mr. Monnet then turned the conversation to the situation in Germany regarding EDC ratification and said that the matter was going to take time. Mr. Adenauer had got his Government into a bit of a jam by getting tangled up with the court matter and would not be able to press for ratification before the end of January, or perhaps February, and that he might even have to take several months after that before pressing for ratification. Mr. Monnet said that the United States had to understand that this process would take time but that it probably would come out all right in the end and we should not lose patience or interest. The Secretary said that the unfortunate aspect is that in the meantime there would be an adverse reaction in the United States. The Secretary believed it was essential in order to keep American attention on the development of European integration that positive accomplishments, such as the development of the Schuman Plan Authority as had been described to him the day before by Mr. Monnet, must be built up and played up to full advantage. He said the accomplishments of the Schuman Plan must be promoted and publicized in order that they would gain attention in American magazines and newspapers. The fact that the Schuman Plan Authority was going to announce the opening of the European market shortly; was preparing to announce the leveling of a tax in order to create a revolving fund for reinvestment; and that on the 10th of January there would be a meeting of the Assembly of the Schuman Plan must be well staged and promoted with a maximum of publicity. The Secretary said that it was highly desirable to gain the interest of such correspondents as Mrs. McCormick, Walter Kerr, Raymond Swing, and other prominent writers, and to get full play in American magazines such as *Time*, *Newsweek*, *Life*, *Fortune*, et cetera. He emphasized that the publicity and information must be geared to the American scene. Mr. Monnet said that he thought the idea was correct but he knew nothing about getting such an operation underway. He said he needed an adviser and wondered if George Ball might be useful. The Secretary said he didn't know whether he could be, but that the Secretary would think it over and let Mr. Monnet know whom he considered might be a good person for this type of job.

(The Secretary asked me to inquire as to suitable names for suggestion to Mr. Monnet. I am discussing this with Helen Kirkpatrick and William R. Tyler, Public Affairs Officer at the Embassy here.)

No. 144

740.00/12-2152: Telegram

The Ambassador in France (Dunn) to the Department of State [1]

CONFIDENTIAL PARIS, December 21, 1952—2 p. m.

3604. Subject is European political community.

1. Although Dutch dels in Paris have not seemed to be dissatisfied with developments in constitutional committee on EPC, Dutch Govt apparently feels that insufficient attention is being paid by committee to economic integration. In an attempt to "bring the work of the *ad hoc* assembly back to Luxembourg resolution" (in particular provisions concerning "creation of common bases of economic development"), Dutch Govt about 10 days ago sent a memorandum to govts of the other 5 Schuman Plan countries. [2] This memorandum reiterated primary Dutch concern with economic aspects of integration, contained the Dutch "interpretation" of the Luxembourg resolution, and asked for meeting of the 6 countries consider this problem prior to January 7 meeting of *ad hoc* assembly on EPC.

2. Dutch note recapitulates arguments which Beyen presented in Luxembourg in support of Dutch view that political and economic integration should proceed side by side, and maintains that this

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[1] Repeated to London, Bonn, The Hague, Rome, Brussels, and Luxembourg for Tomlinson.

[2] A translation of this memorandum is in file 740.00/12-1752.

view was accepted by other govts in Luxembourg resolution. On this basis, note continues, Dutch Govt considers that EPC should not limit itself to creation of new institutions but should be given additional powers in economic realm or at least contain definite commitment concerning progressive creation of common market for all products in the 6 countries.

Specific program contained in note is not very clear (due in part to very poor French and German translations); its main elements seem to be:

EPC treaty should contain commitment for common market; provision should be made for gradual reduction and elimination over a given time period of customs duties among the 6 countries in order to arrive at common market; concomitant measures should be taken to create currency union and common fiscal and monetary policies and problems of adjustment which these procedures raise should be dealt with by common institutions rather than on a national basis. Note makes it clear that Dutch are prepared to move ahead in conjunction with whatever countries are willing to accept this basic program and in particular with their five Schuman Plan partners. Community should have non-protectionist policy, should be open to additional members, and should provide means of association for non-member countries. Finally, Dutch Govt believes that attention should be concentrated in immediate future on fields where preparatory work has already been done—in particular agriculture.

3. Dutch purpose in sending note at this time would seem to be two-fold: First, by reiterating Dutch adherence to economic integration at this time, Beyen apparently hopes to bring pressure on *ad hoc* assembly to make adequate provision for economic integration in resolutions to be adopted in January. Secondly, Mansholt apparently hopes by this means to build up pressure on Schuman Plan govts to take common position at February Greenpool conference in favor of common market approach to agricultural integration.[3]

4. While Dutch note has aroused some interest in other Schuman Plan capitals, it seems unlikely that any meeting of foreign mins will be held before January 7; Germans have already stated that while sympathetic with Dutch viewpoint they consider meeting impractical and Belgians reportedly feel the same.

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[3] For documentation concerning the Green Pool negotiations, see Documents 235 ff.

No. 145

840.00/1-1352

The Director of the Office of European Regional Affairs (Moore) to the Deputy United States Representative to the European Coal and Steel Community (Tomlinson)

PERSONAL AND CONFIDENTIAL [WASHINGTON,] January 13, 1953.

DEAR TOMMY: As we said in our cable,[1] we do appreciate greatly the full reporting you have been giving us on CSC-EDC-EPC problems and developments. I know that this must require a great deal of hard work on the part of you and your staff. However, as you can imagine, there is a great deal of interest in six-country developments all over town at the moment and it is helpful for us to be able to point to the thorough reporting job which you are doing. In particular, the flow of memoranda of conversations and other informal bits of paper helps to give us more background in interpreting the cables. Be sure and flag us if you see any problems in general distribution of these documents.

I hope that by now Bob Minor and Bob Eisenberg are on the job. Our thought was that Minor could help with EDC and that you might want to place Eisenberg in Luxembourg to follow CSC matters. It would be helpful to know your views on the forecast for staff requirements. We are assuming that if the Treaty is ratified, more people will be needed fairly quickly. I think it is essential that we do this without increasing the total number of people working on six-country problems, including those in the Embassies.

There are no developments yet on this end with respect to organization and my guess would be that it may be some time before any basic decisions are taken. I am sure you are aware that all of us on the working level are clear that if the Treaty is ratified we should move in the direction of a separate mission to the six-country institutions. In this connection, it would be helpful if you could give us your views on where these institutions are likely to locate. It looks as though we might continue to have at least a three-ring circus for some time.

We too were somewhat surprised at the strength of the Secretary's feeling that he was uninformed on these problems. Miriam has been keeping Mr. Bruce fully informed on all developments and he has shown great interest in this field. No doubt we will have a different set of problems from now on.

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[1] This is a reference to telegram 55 to Strasbourg, Jan. 7, in which the Department of State noted its appreciation of the reporting on EPC developments and indicated its general agreement with the U.S. Delegation's comments. (740.00/1-253)

If you could send me a personal appraisal of the developments at Strasbourg, I would appreciate it greatly.

Sincerely yours,

BEN T. MOORE

No. 146

740.5/1-1353

The Assistant Director for Mutual Security (Tannenwald) to the Under Secretary of State (Bruce)

SECRET WASHINGTON, January 13, 1953.

DEAR DAVID: You will recall that about a week ago you and I discussed again the question of a circular airgram on the subject of European integration.[1] I indicated to you at that time that we had reservations about the failure of the State Department draft to set forth clearly the need for United States support and encouragement of progress toward integration.

You suggested that we prepare a redraft of the cable which would incorporate our views. I have had this redraft prepared and am enclosing a copy herewith, together with a copy of a memorandum to me from Harlan Cleveland, dated January 10, 1953, which deals with the redraft.

In view of the present crisis in European integration and the fact that the new Administration will take office in a week, I seriously question the advisability of sending such a cable at the present time. However, I believe that the problem of European integration is one that should promptly be dealt with by the new Administration and perhaps the enclosed draft cable will facilitate the reaching of a decision.

Sincerely yours,

TED

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[1] This is a reference to Document 129.

[Enclosure]

Memorandum by the Assistant Director for Europe of the Mutual Security Agency (Cleveland) to the Assistant Director for Mutual Security (Tannenwald)

SECRET WASHINGTON, January 10, 1953.

Subject: Redrafting of State Department Circular Telegram on European Integration.

Attached is the MSA redraft of the State Department Circular Telegram on European integration. I have a strong feeling that events have overtaken the cable and that it would probably not serve a useful purpose to send it out at this time. However, pursuant to our conversation I have undertaken to redraft the cable along the lines we discussed.

The State Department draft dealt with a number of important policy questions, in a manner with which we were in general agreement. Our principal difficulty with the cable was that it did not recognize sufficiently the importance of U.S. leadership in connection with European integration. As a consequence, it presented a somewhat distorted picture.

In redrafting the State Department cable, we have been at some pains not to enlarge its scope. The cable, therefore, does not now deal adequately with what is clearly the most important policy problem facing the United States with regard to Western Europe—EDC ratification and the crisis in European integration. [2]

The EDC, in some form, still appears to be the best, if not the only framework in which the French would consider accepting a German defense contribution. If, as it appears, German rearmament is not feasible without French acquiescence, ratification of a revised EDC seems imperative if German contingents are to be added to the NATO forces. Loss of the EDC would also mean the defeat of a second major U.S. policy toward Western Europe, support of European integration. The EDC Treaty will in any event have to be reopened as a result of the recent French crisis; this is therefore the time to consider changes in the EDC Treaty, and in the conditions under which the EDC problem is posed in the minds of the French, in order to preserve the EDC as the means of achieving a German military contribution and continuing the movement towards European integration. The subject is an extremely complex one, and we are probably not in a position to send anything to the field at this time.

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[2] For documentation concerning U.S. efforts to encourage ratification of the EDC Treaty, see vol. v, Part 1, pp. 571 ff.

Toward the end of next week I hope to be able to forward a briefing paper for Mr. Stassen, which will review recent developments on the integration front, analyze some of the current problems from the economic point of view, and tentatively suggest some of the arrangements that will have to be considered in recasting U.S. policy to meet the new situation.

HARLAN

[Attachment]

Draft Circular Telegram by the Mutual Security Agency

SECRET [WASHINGTON,] January 9, 1953.

Subject: U.S. Policy on European Integration

1. This is State/DMS/MSA cable.

2. In light of recent discussions of European integration and related matters at Ambassadors' Meeting in London, [3] we believe it might be useful to outline our views on general question of Eur integration and the strengthening of the North Atlantic Community with particular reference to the Schuman Plan, EDC and related developments.

3. We may first reaffirm our general position, that support of European movement towards integration is a key element in U.S. policy toward Western Europe. USGov continues to feel that further progress towards political federation, military integration and economic unification in Europe are necessary as a means of building strength, establishing security, and preserving peace in North Atlantic Area. The specific institutions which have been evolved, ECSC and the EDC, represent a response to the European desire to provide by united efforts for the prosperity and security of Western Europe. As indicated in the Tripartite Declaration of May 27, 1952, [4] we also consider that the establishment and development of these institutions of the European Community correspond to our own basic interests and will therefore lend them every possible cooperation and support.

4. We feel that the creation of European organizations is primarily a task for the Europeans themselves and that there can be no substitute for Eur initiative in the complex and difficult task of building a united Europe. If an enduring union is to be established in Europe, it must be European in concept and reflect the tradi-

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[3] See Documents 301–303.

[4] For the text of this declaration, see vol. v, Part 1, p. 686, or Department of State *Bulletin*, June 9, 1952, p. 897.

tions and requirements of Europe. The changes involved are not easy ones to make, however, and inertia or active resistance is inevitably encountered. It is this fact that has made U.S. support and encouragement so important in the past in achieving the practical realization of such European ideas as the Schuman Plan or the proposal for a European Army. Conversely, any doubt on part of Europeans as to firmness of U.S. support necessarily has effect of weakening movement. For example, U.S. and U.K. assurances contained in Tripartite Declaration have been essential element in gaining acceptance of EDC concept. It is U.S. policy to continue its support and to make it as effective as possible in the interest of facilitating further progress.

5. If some form of political federation and economic unification are to be achieved in the foreseeable future, it is highly important that forward motion not be lost. We therefore attach special importance to the continued movement in the direction of federation represented by the proposals for the establishment of a European Political Community. The EPC is the logical successor to the CSC and the EDC, and provides the political auspices under which new departures might, in time, be undertaken.

6. It is important to establish, from the first, close and cordial relationships between the institutions of the Continental Community and third countries, especially the political orientation of the new grouping, and as a means of encouraging progress toward further unification of the Six by giving important elements in the Six countries the reassurance they wish that progress in this direction will not result in isolation. The U.S. relationship with the Continental Community should be constructed in such a way as to be fully consistent with the decision on the part of the Six to give the new institutions supranational authority, and so as to support this trend. For example, a device such as has been agreed between Monnet and Weir, i.e., a joint committee between the High Authority of the CSC and British Representatives in Luxembourg for the consideration of common problems, is consistent with this approach; the Council of Europe proposal for third-country observers in the institutions of the Coal and Steel Community is not. It is, of course, desirable, that the Six Countries continue, in the future, as they have in the past, to leave the way open for accession by any state, such as Austria, that is prepared to undertake the same obligations.

7. There can, of course, be no complete guarantee that a federation of the Six Countries, if it were to be achieved, would be a consistent supporter of those Free World objectives in which we believe. We believe, however, that recognition of this risk should not lead us to discourage progress in this direction, but rather to put

added emphasis on the necessity for building sufficiently close relationships between the Six Countries and the U.S., the U.K., and the other countries of Western Europe so that the risk is minimized. Integration of the Six continental countries is complementary to the continued growth and strengthening of the Atlantic Community as a whole. The two developments mutually reinforce and strengthen one another. Therefore, the U.S. should encourage participation by the Continental Community acting as a single unit, in broader arrangements such as the OEEC and NATO, and the concurrent strengthening of these broader organizations so that they impose a real obligation on their members to act in a manner which is consistent with an increase in strength and community of interest for the entire area. This development is a natural complement of participation by non-CSC countries in the institutions of the Six.

8. In the military field, this implies treating the EDC, once it has been established, as a single but key element in all NATO plans, as well as in bilateral relations with the U.S. In the political field, it means strengthening the habit of consultation among NATO members on foreign policy questions and broadening the area of discussion. In the economic field, it is not yet clear what the organizational implications of the EDC will be. Ratification of the EDC will involve the extension of the single market in coal and steel in the Six Countries to the field of defense production. This follows from the requirements in the EDC Treaty that bidding on EDC contracts be competitive and that contracts shall not be denied to an enterprise on grounds of nationality. Because of these economic consequences, some aspects of the EDC will require coordination with the OEEC. Thus, the EDC will have political and military relations with NATO, and economic relations with the OEEC.

9. The U.S. has supported the EDC because it believes that only if Europe achieves a degree of unity can it hope to develop further and to deal successfully with the political and economic problems that are going to confront it, and because it sees in the EDC the best answer to the problem of Franco-German rivalry and a German contribution to the defense of the free nations. If the EDC is not ratified, the achievement of all of these objectives would be seriously endangered and a thoroughgoing re-examination of U.S. policy toward Western Europe would be necessary.

No. 147

850.33/1-1553: Telegram

The Minister in Luxembourg (Mesta) to the Office of the United States Special Representative in Europe, at Paris [1]

RESTRICTED LUXEMBOURG, January 15, 1953—6 p. m.

Topol 35. SRE for Embassy. From Tomlinson. Subject is European coal-steel community. High Authority report was generally well-received by Assembly, [2] and almost all speakers prefaced remarks with praise for High Authority's work to date and for competence of report. Dutch delegates who had complained that report was issued too late for adequate study accepted High Authority promise to publish annual reports in four languages a month before annual meeting of Assembly.

While debate and High Authority replies did not develop many new facts, they indicated questions in which parliamentarians especially interested and demonstrated that, despite limited powers, Assembly intends to play a large role in coal-steel community.

Major questions re problems connected with single market are described in next following telegram. [3] This telegram describes other high points raised in debate:

1. Operation of High Authority:

Teitgen and others asked for details on organization of High Authority and individual responsibilities of High Authority members. Monnet replied High Authority members undertook specific missions in accordance with their personal interests and abilities. There was no division of responsibilities and no delegation of High Authority powers to individual members. Treaty requires that High Authority should act collectively and be collectively responsible for its actions.

Monnet explained that while treaty provided for a separate civil service for each institution, presidents of four institutions had agreed to create a single European civil service with a single status.

There was considerable praise, especially from German members, for fact that High Authority had maintained small staff and not created a bureaucracy. High Authority was also complimented for keeping in touch with interested parties through commission system.

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[1] Repeated to London, Bonn, The Hague, Brussels, Rome, and the Department of State, a copy of which is the source text.

[2] Telegrams Topol 35 and 36 (*infra*) are a summary of the meeting of the Common Assembly of the European Coal and Steel Community which met in Luxembourg on Jan. 10.

[3] *Infra.*

2. Role of Assembly on financial questions:

Belgian delegate Wigny, after deploring how few real powers Assembly has, thought it should take particular interest in financial operations. He suggested in particular that Assembly should control High Authority's use of proceeds of levy destined to support investment programs. Monnet replied that Assembly would be fully informed of financial operations of High Authority, as the money belonged to the whole community. However, decision as to use to make of proceeds of levy is given by treaty to High Authority. He believed that division of responsibility set forth in treaty should be respected.

3. Seat of institution:

Dehousse suggested that determination of permanent seat, an important and urgent matter, should be made by European parliament rather than by six ministers, who had proved themselves incapable of settling this problem.

4. Non-discrimination:

In reply to German Socialist who warned High Authority against creating common market at different times for various member countries, Monnet pointed out that transitional measures would be applied only in interest of community as a whole. Entire reason for High Authority's existence, he added, was to act for benefit entire community—if it failed in that duty, it would be abusing power and could be brought to task by the court.

5. Social policy:

Much attention in debate centered on social questions. Deputies repeatedly stressed that community and common market were created for social as well as economic and political ends.

Finet replied for High Authority, stating High Authority's devotion to social purposes of treaty, but pointing out that they had few real powers in this field. Main task was to gather and disseminate information and High Authority currently struggling with serious problem of trying to build comparable social statistics in six countries.

6. Wages:

Various deputies, especially Socialists, stressed importance of harmonizing wages and social security benefits among member states. Coppe replied that High Authority was conscious of problem and of its duty under Article 3 of treaty, but had virtually no direct powers in field.

7. Housing:

Housing program in High Authority report strongly approved by deputies from coal-mining areas. Only criticism came from those who objected that coal miners and steel workers should not have excessively favorable position in obtaining new housing.

8. Discrimination in favor of CSC:

Several deputies complained that creation of community gave coal and steel industries relatively favored position with respect to such questions as access to financial markets, movement of labor, payments, transport rates, et cetera, as well as housing. Other deputies used this position as argument for extension of single market and supranational institutution to other fields.

9. Harmonization of external tariffs:

In reply to question on GATT refusal to give general waiver, Spierenburg explained that CSC not a customs union because commercial policy with third countries was national function under treaty.

10. Expansionist economic policy:

In reply to worries that investment programs would create danger of over-capacity, both Etzel and Coppe laid great stress on fact High Authority's plans were based and must be based on assumption of expanding economy. They pointed to low consumption per capita of coal and steel in community as compared United States, and to rate of expansion in United States and Soviet Union over past twenty years. Common market would create new conditions of economic growth.

11. Competitive sources of energy:

A Dutch delegate also expressed fear coal demand over-estimated in High Authority report because of likelihood that coal would be displaced as energy source by fuel oil and methane gas in next ten years. High Authority agreed to study this point.

MESTA

No. 148

850.33/1-1553: Telegram

The Minister in Luxembourg (Mesta) to the Office of the United States Special Representative in Europe, at Paris [1]

RESTRICTED LUXEMBOURG, January 15, 1953—5 p. m.

Topol 36. For Embassy and SRE. From Tomlinson. Subject is European coal-steel community. Re Topol 35. [2] Following are major points raised at Common Assembly Session re opening of common market and related problems:

1. Procedure on Common Market.

Some deputies complained insufficient information in report on specific measures to be taken when common market opens. Etzel replied impossible to predict far in advance what situation will be on February 10. If there is a German coal strike between now and then special situation would be created which might require special measures.

High Authority has been discussing problem with interested parties and government experts. It will hold formal consultation with council and consultative committee prior to opening of common market and will also discuss common market measures with common market committee of assembly.

2. Date of Common Market.

No opposition expressed to creation of common market on dates set by treaty. A number of deputies (especially Germans) were insistent that there should be no delay. Monnet and Etzel both made clear High Authority intends respect treaty deadlines. Scrap is only product where delay has even been considered, and High Authority has as yet taken no decision to propose postponement for that.

3. Coal Allocation.

In reply questions on coal situation, Etzel stressed no shortage of coal exists at present except for coking coal and anthracite. Imports from United States cover these shortages. Etzel stressed United States coal is "abnormal" import. However High Authority does not intend to institute allocation procedure under Article 59. High Authority wants at all costs to avoid dirigiste measures unless they are absolutely necessary. Etzel pointed out that OEEC has made allocation for first quarter 1953 and High Authority has used its powers under Article 96 to give legal force to distribution pattern established by OEEC. It is not yet possible to tell whether allocation will be necessary for second quarter 1953 and if so what kind.

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[1] Repeated to London, Bonn, Paris, The Hague, Brussels, Rome, and the Department of State, which copy is the source text.

[2] *Supra.*

Several German deputies pointed to fact that Germany now imports high priced American coal and exports lower-priced German coal to other member countries. They thought some way should be found to share this price burden. High Authority replied that this problem should be solved by reducing and as soon as possible eliminating American coal imports.

4. Iron Ore.

Etzel stated there is no major obstacle to creation common market for iron ore in 6 countries on February 10. High Authority must await repercussions of creation common market before it can tell definitely whether transitional measures may be necessary. In any case, prospects are that situation will improve.

5. Scrap End.

Several deputies expressed concern about effect on steel prices of creation common market for scrap. De Menthon pointed out that if French scrap price should rise to level of others in common market additional cost to French steel industry would be around 15 billion francs ($43 million). Italian deputy said machinery needed to avoid price fluctuations and suggested single buying agency as best means. Etzel replied that problems raised by special nature of scrap market are under serious consideration in High Authority but no decision on special measures had been taken. None can be taken until the matter has been discussed between the High Authority and the council.

6. Perequation.

In reply to question by Belgian deputy Motz, Coppe stated perequation mechanism would be ready by February 10 as treaty required. Belgian Government has agreed to pay its share into perequation funds if and when necessary. Final determination of certain questions in connection with size of levy and beneficiaries of perequation fund will depend on effects of creation common market on price structure within community.

7. Double Pricing.

Coppe stated flatly that all double pricing within community must be abolished on date creation common market. This is spirit and letter of treaty, and no special measures are provided in transitional convention.

8. Subsidies.

Subsidies are also to be abolished in principle on date creation common market. However Coppe explained, distinction must be made in initial phase: Those subsidies which correspond to serious distortions and whose abolition would therefore result in sudden serious price rises may be authorized temporarily until reasons for them can be reduced or eliminated. Other subsidies must go when common market is created.

9. Distortions.

Several French and German deputies stressed that account should be taken of differences in competitive conditions among various countries and means should be found to reduce or eliminate them. High Authority replies on this subject did not add anything to High Authority report and Monnet's speech.

10. Transport.

A number of deputies stressed inequality of competitive conditions because of differences in transport rates. Motz also pointed to position of Belgium as transit country and saw in establishment of direct international tariffs for coal and steel danger to financial position of Belgian railroads.

Spierenburg's reply stressed that transport problems are to be dealt with in stages. Straight discrimination on basis country of origin or destination will be eliminated on creation common market. High Authority is sending recommendations to governments on this subject within next few days and expects no difficulties. Other problems, such as establishment direct international tariffs and uniformization of rate structure for coal and steel are more complex and will take more time. Commission of experts established under transitional convention is now beginning to work on these longer-range problems.

11. Cartels and Concentrations.

High Authority questioned sharply by Teitgen and Dutch deputy Blaisse re intentions on enforcement anti-cartel articles. These problems also mentioned by German delegates: Henle stressed that there should be no discrimination in size of productive units permitted in various member countries. Preusker said Germany had been placed at a disadvantage because of deconcentration.

In reply Coppe took same line as High Authority report: Regulations required under Article 66 raise complicated and delicate problems and High Authority must work out sound policy, which may take "a few more weeks".

12. Impact of Common Market on Payments Situation.

In reply to question, Etzel stated High Authority did not foresee any upheaval in credit and debit balances of member countries in EPU on account of creation common market.

Several deputies pointed out that treaty requires elimination of QR's but not of payments restrictions and asked how High Authority will deal with this problem. Coppe replied that, while High Authority had no direct powers in this field, Article 86 of treaty provides that member states will make necessary arrangements for payments connected with coal and steel trade. High Authority interprets this language as meaning that coal and steel are to have privileged position on payments.

13. Impact of Common Market on Rest of Economy.

Several deputies emphasized that importance of coal and steel industries is such as to give decisions in this field important repercussions in other sectors of economy. High Authority acknowledged this and said would be in constant consultation with member governments on subject.

MESTA

No. 149

740.00/1-853: Telegram

The Consul at Strasbourg (Andrews) to the Department of State [1]

CONFIDENTIAL STRASBOURG, January 18, 1953—10 p. m.

266. From Koren. Subject: EPC. Following summarizes British objectives re EPC and tactics with regard work of *Ad Hoc* Assembly and CE Consultative Assembly, [2] so far as latter considers EPC, as explained by Nutting, Parliamentary Under Secretary for Foreign Affairs, and Gallagher, Foreign Office adviser to British CA delegation.

British desire that EPC be "efficient and stable" and that draft treaty prepared by *Ad Hoc* Assembly be along lines acceptable to Governments and National Parliaments of six prospective members.

This objective with regard EPC has led to concern over possibility of Commie membership in EPC Parliament. British assume that election of Senate by National Parliaments would assure absence of

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[1] Repeated to Paris (for Embassy and SRE), London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] For a summary of the meetings of the Consultative Assembly of the Council of Europe, which met in Strasbourg Jan. 14–17, see telegram 269, *infra*.

Commies from Upper House. They now seem to have abandoned objection recently reported from London to holding direct elections for Lower House from outset. Informants declared that they recognize psychological value of starting at once with popular elections for proposed chamber of peoples and are ready rely on electoral law to eliminate Commie representation or keep it to a minimum.

Informants did not raise question of method choosing President of proposed European Executive Council or methods for overthrow EEC by Parliament of EPC.

British Government particularly concerned with manner in which EPC will handle foreign policy matters, especially its relations with NATO and subjects on which policy now decided in NAC. Foreign Office does not expect that six will be ready for single representative on NAC from start of life of EPC (Spaak concurs in this judgment, declaring privately that, although no single representative [garble] object, he prepared to go one step forward at a time. De Menthon, CA President, in press conference at close of session, refused state his view on representation in NAC, merely noting that there was divergency among the six on this point). According British, anything short of this, however, raised difficulties unless European Executive Council entrusted with foreign policy powers is subject to control of Council of National Ministers, either voting unanimously on foreign policy or at least having same powers over EEC as Council Ministers of EDC has over Commissariat.

In general, its leaders claim British delegation has followed policy of keeping hands off that part of AHA dealing with institutions affecting the six alone—beyond general exhortations to others to think of acceptability to own Parliaments. British Government considers that its influence should be brought to bear, if necessary, when draft treaty prepared by AHA is under consideration by six governments (Foreign Office in fact inclined believe EPC Treaty, like that of EDC, should have approval North Atlantic Council before signature). Nevertheless, fact that British worried by vague foreign policy formula of present stage, particularly in relation to NATO, is probably reflected in fact that this was particular aspect of AHA directive the Bohy report (Contel 257 January 17 [3]) singled out for comment.

In CA General Affairs Committee, British resisted efforts of others to spell out principles of association prior to agreement on final treaty text. Department will note that increased flexibility on terms of association was proposed in General Affairs Committee report drafted by Lord Johnhope (Contel 258 January 17 [4]) approved by Assembly.

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[3] Not printed; it summarized the first part of the report of the General Affairs Committee of the Consultative Assembly on the conclusions of the *Ad Hoc* Assembly regarding the preparation of the draft treaty for the EPC. (740.00/1-1853)

Nutting confesses that he would have felt something of a "hypocrite" if he had had to express approval work of AHA to date and not warn against parts he believes will be unacceptable to National Parliaments of participating six because they constitute too drastic surrender of sovereignty for present state of opinion (as was reported by London prior Assembly meeting that British plan, Nutting, only member of British Government in UK delegation, did not take part in public debate).

Gallagher expressed personal belief that as EPC developed stability, self-confidence and sense of permanence, UK "association" would gradually diminish (presumably association would cease when EPC became full-fledged federal state). At outset, of course, the association of UK and of other countries if possible, would be helpful to EPC as it would be necessary for EDC.

ANDREWS

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[4] Not printed; it summarized the second part of the report of the General Affairs Committee. (740.00/1-1753)

No. 150

740.00/1-1853: Telegram

The Consul at Strasbourg (Andrews) to the Department of State [1]

CONFIDENTIAL STRASBOURG, January 18, 1953—10 p. m.

269. From Koren. Subject is EPC and Council of Europe. Discussion EPC in course extraordinary session Council Europe Consultative Assembly [2] served useful purpose even though it did virtually nothing further work of *Ad Hoc* Assembly in drafting text of EPC treaty.

General Affairs Committee decided against any review constitutional work AHA far as institutions of six were concerned. This largely consequence of fact CA officially seized only of directives of AHA to its Constitutional Committee, not of committee's o.k. on report. General Affairs Committee does, however, expect CA will debate full draft treaty as ultimately submitted by AHA during its ordinary session, now scheduled latter part of May, that is, at time when governments will already have had some two months to examine AHA report. Opposition of Mollet, committee chairman, to EPC draft also contributed to failure give it detailed examination.

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[1] Repeated to Paris (for Embassy and SRE), London, Bonn, Rome, Brussels, The Hague, Luxembourg (for Tomlinson), Athens, Ankara, Copenhagen, Dublin, Oslo, Stockholm, Vienna, Reykjavik, Ottawa, Wellington, and Canberra.

[2] For a summary of the meetings of this Extraordinary Session of the Consultative Assembly of the Council of Europe, which met in Strasbourg Jan. 14-17, see *Minutes of Proceedings* (Strasbourg, 1953); for a record of the statements made by the various delegates, see *Official Report of Debates* (Strasbourg, 1953).

Furthermore, quite clear that AHA would toss aside CA suggestions offered at this time if it did not like them, as Spaak declared privately. (This will certainly be fate of CA proposal that EEC "shall" consult CA before taking any measure "which would affect interests of other member states of Council Europe", which Spaak's amendment No. 3 (Contel 268, January 18 [3]) failed by 38 to 32 to emasculate. British Foreign Office advisor declares he urged United Kingdom delegates vote amendment but was over-ridden by latter apparently on tactical grounds.)

Usefulness of CA debate has been in:

1. Reassurances to countries outside the six, as they examined work of AHA, that increasingly close unity of six will not "split Europe," with consequence that more genuine and confident encouragement to six to go ahead is forthcoming; and
2. Encouragement given to six by trend among Scandinavians indicating their countries following British lead toward some status of association with community of six.

Public expression of satisfaction on these points by Spaak and De Menthon appear genuine and satisfied.

Clearest exemplification of these inter-related developments were statements by Norwegian Socialist Finn Moe that "proposed methods of liaison and association are made (by *Ad Hoc* Assembly) on an acceptable basis from point of view of my country" and his subsequent indication Norway might make agreement of association with EDC (Contel 265, January 18, [4] and on this general theme see Contel 267, January 18 [5]). Noteworthy that Moe stressed not only close association of individual states with community but also "association mainly within framework Council of Europe," and quoted with approval Lord Layton's statement that all Council Europe members "must be brought close together, and there must be some sort of institution or organization in which they all meet together on exactly the same terms." Moe added that Norway was "interested in strengthening Council Europe" and favored changes in statute with that purpose. (On statute amendments, see below.)

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[3] Not printed; it summarized the six amendments introduced by Spaak to the General Affairs Committee report and described the action taken by the *Ad Hoc* Assembly on each of Spaak's suggestions. (740.00/1-1853)

[4] Not printed; it summarized Moe's speech to the Consultative Assembly on Jan. 17. (740.5/1-1953)

[5] Not printed; it summarized the debate in the Consultative Assembly on the General Affairs Committee's report concerning Directives I, II, and III. (740.00/1-1953)

Voting showed that all delegations present from countries outside the six favor both resolution on association and liaison (Contel 258, January 17 [6] and 268, January 18), and, with exception Scandinavian Socialists, also favored resolution on competence and institution of EPC (Contel 257, January 17 [7] and 268, January 18) Scandinavian Socialists, following opposition of French and German Socialists part way, abstained.

In opinion British Foreign Office advisor to United Kingdom delegation, session has had additional usefulness of affording a first hand acquaintance to British and other parliamentarians who had little or no experience at Strasbourg of real problems faced by six and other Council Europe countries in developing new forms of European unity. It feels this will have important effects within national Parliaments.

Foreign Office representative fears, however, that there may be some discouragement among representatives of states not in proposed EPC from strength of opposition to EDC and more particularly EPC shown within delegations of the six. (Concrete evidence of division within six shown by fact that in key vote on report concerning competence and institutions, there were 32 votes by delegates from EPC countries (plus Saar) in favor, 16 against and 2 abstentions, whereas votes of others were 28 in favor, none against and 5 abstentions.) He fears they will conclude parliamentary majority for EPC very narrow and therefore it would take little to reverse trend toward greater unity. He did think, however, that positive attitude of delegations from countries outside the six might have beneficial effects on Parliaments of the six. (He also regrets lack of real study of AHA's work on competence and institutions of EPC.)

Foreign Office representative declared with conviction that Foreign Office considered Council Europe would continue to be useful. Rather than have it wither away as community of six developed, it should be strengthened. This was chief reason why, at their last meeting, delegations of Committee of Ministers directed Secretariat to draft thorough revision of Council Europe statute with aim of invigorating the institution and adapting it to emergence of new community of six.

ANDREWS

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[6] See footnote 4, *supra*.

[7] See footnote 3, *supra*.

No. 151

Editorial Note

On January 30, Secretary of State Dulles and Mutual Security Agency Director Stassen left Washington for a visit to Western Europe in order to hold meetings with leading government officials in Rome, Paris, London, Bonn, The Hague, Brussels, and Luxembourg. During their stay in Paris, Dulles and Stassen met with a delegation from the Organization for European Economic Cooperation on February 3 and preliminary arrangements were made for a visit to Washington by representatives of that group sometime in March or April. A summary of this meeting was transmitted to the Department of State in telegram Repto 2395 from Paris, February 4; for text, see volume V, Part 2, page 1562. The OEEC delegation reported to the Council that same day concerning their conversation with Dulles and Stassen; the minutes of this 203d meeting of the OEEC Council, which summarized the report by Sir Hugh Ellis-Rees, is in OEEC files, lot 56 D 217, "C/M(53)1 through 10".

No. 152

Camp files, lot 55 D 105, "Schuman Plan—1953"

Memorandum for the Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] February 16, 1953.

Subject: Designation of Mr. Bruce [2]

The proposed designation of Mr. Bruce as U. S. Observer to the EDC Interim Committee raises the question of the scope of his activities in connection with the other aspects of the six-country movement. As you know, the relationship between the CSC, the EDC, and the embryonic EPC are very close, even to the point of assuming common institutions for the three. At the present time, American activity relating to the six-country movement is not organized along clear or simple lines but is handled by an SRE–Embassy group under Mr. Tomlinson who is for CSC matters responsible to Mr. Draper and for EDC and EPC matters to Ambassador Dunn. It has, therefore, seemed to us that the designation of Mr. Bruce provides an excellent opportunity to consolidate and to strengthen our relations with these organizations.

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[1] The drafter has not been identified.

[2] On Feb. 10, Dulles sent a memorandum to President Eisenhower in which he indicated that David Bruce was "very responsive to the idea of going back to follow up in the six EDC capitals the work which Stassen and I did there," presumably a reference to the trip to Western Europe by Dulles and Stassen in early February. Dulles went on to note that he did not suggest any title for Bruce, and Bruce did not ask for any, although Dulles thought he might be made U.S. Observer on the EDC Interim Committee. (740.5/2–1053)

It is, therefore, recommended that in addition to his designation as our EDC Observer, Mr. Bruce be designated the U.S. Representative to the Coal and Steel Community at Luxembourg and be given the personal rank of Ambassador. By broadening his assignment in this way we will derive the maximum psychological impact in Europe from this important new step. It would be clear that the U.S. is interested in the EDC as part of a broader six-country development and not solely as a necessary arrangement for our mutual defense. In addition, the designation of Mr. Bruce to the CSC would be looked upon by Mr. Monnet and his associates as perhaps the clearest indication we could give of our close support for and belief in their experiment in six-country unification.

From the United States standpoint we should benefit from consolidating our six-country work under a single high-ranking representative. To be most effective it would probably be desirable for him to have the personal rank of Ambassador as does the British representative. Although it is not required by law, it might also be desirable for the President to request Senate approval of his designation.

The major questions with which Mr. Bruce will have to deal in the next few months, even if he is also accredited to the CSC, will of course, be primarily related to the EDC negotiations, and it is assumed that he would therefore live in or near Paris and have an office in Paris. He would presumably wish to spend a day or two each month in Luxembourg and probably to have one or two other staff members stationed in Luxembourg to keep in daily touch with the High Authority, as is the case today.

The consolidating of these functions under Mr. Bruce would, of course, need to be discussed with Mr. Draper, particularly since it is his understanding that the President did not intend that reorganization and reduction in the activities of the SRE would take place until after the next NATO Council Meeting in April. [3]

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[3] According to telegram 4469 to Paris, Feb. 18, President Eisenhower decided to announce that day that David Bruce would leave for Europe soon to serve as U.S. Observer to the Interim Committee of the European Defense Community and as U.S. Representative to the European Coal and Steel Community, with additional responsibilities for observing the proposed creation of a European Political Community. (740.5/2-1853) For the text of the White House press release on Bruce's appointment, issued on Feb. 18, see Department of State *Bulletin*, Mar. 2, 1953, p. 352.

On Mar. 3, Bruce presented his credentials to the President of the High Authority of the European Coal and Steel Community, Jean Monnet, and other leading offi-

Continued

No. 153

Camp files, lot 55 D 105, "Incoming Correspondence—1953"

The Economic Officer in the Embassy in France (Hillenbrand) to the Officer in Charge of Economic Organization Affairs (Camp)

CONFIDENTIAL
PERSONAL OFFICIAL-INFORMAL

PARIS, February 18, 1953.

DEAR MIRIAM: This is a rather tentative effort to answer the questions raised in your letter of February 9, 1953. [1] For the past several weeks I have been bogged down in NATO Committee work, and have not been able to follow EPC developments closely since the Rome meeting of the Working Group. However, I do not think that my observations are rendered obsolete by anything that the Working Group and Drafting Committee have done recently in Paris. I may add that Stan Cleveland (who has also been very busy lately in connection with the opening of the CSC Common Market) and I hope, during the next few weeks, to be able to concentrate a little bit more on EPC developments leading up to the *Ad Hoc* Assembly meeting scheduled for Strasbourg early in March.

You will by this time undoubtedly have received the text of the draft treaty transmitted under cover of a recent Embassy despatch. [2] This will now provide a general framework and numbering series for subsequent modifications. In the sense that some articles have not yet been put into final form, or will undoubtedly be revised further by the Constitutional Committee or the *Ad Hoc* Assembly, the treaty is still "sketchy". It seems unlikely at this point that there will actually be any missing articles when the draft is finally handed to the Foreign Ministers; although it is conceivable, of course, that the *Ad Hoc* Assembly will in the end find itself unable to agree on a certain point and be forced to refer the issue to the Foreign Ministers as unresolved. Needless to say, the leaders in the work of the Constitutional Committee and *Ad Hoc* Assembly do not intend that anything like this should happen. Whether the governments, when they receive the draft treaty, will find it acceptable or will consider it practicable for submission to parlia-

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cials. The texts of statements made during this presentation by Bruce and Monnet were transmitted to the Department of State in despatch 52 from Luxembourg, Mar. 6. (850.33/3-653)

[1] Not printed; it requested some personal speculation from Hillenbrand concerning the draft treaty for a European Political Community and the attitude of the United States toward its inception. (Camp files, lot 55 D 105, "EPC—1953")

[2] This is a reference to despatch 1721 from Paris, Dec. 16, 1952, which transmitted the 52-page text of the draft treaty to the Department of State. (740.00/12-1652)

ments, is another question. There are, I suppose, roughly four broad possible courses of action which the Foreign Ministers might take. They might, and this, of course, is least likely, simply sit down and sign the draft treaty. They might set a date for a diplomatic conference to be preceded by intensive study in the Foreign Offices and discussion on the diplomatic level or through a Committee of government experts. They might not set such a specific date for a conference, but otherwise act as if they mean to push ahead with the treaty by having inter-governmental discussions perhaps through a Committee of government experts. Finally, they might, and this could be tantamount to putting the thing on ice, simply refer the draft treaty to their respective Foreign Offices for study. This question may come up at the February 24 meeting of the Foreign Ministers in Rome; the Italians may suggest study by a Committee of government experts.

It is rather difficult to say how far the governments feel bound by the actions of the *Ad Hoc* Assembly. This is a matter to which not much thought has been given in the flurry of grinding out the detailed articles of the treaty. As you know, the status of *Ad Hoc* Assembly is somewhat anomalous. It is sort of a distorted alter ego (with nine additional members) of the CSC Common Assembly, which was invited by the Foreign Ministers on September 10 [3] to prepare by March 10, 1953, a draft treaty establishing a European Political Community. The CSC Assembly accepted this invitation and proceeded to act thereupon. As far as I can see, there is nothing in the process of establishment of the *Ad Hoc* Assembly which creates any legal obligation on the part of the Foreign Ministers to accept its work. To what extent there is a moral obligation on their part is another matter.

It does not seem, therefore, that the governments would feel bound not to seek to extend the competency of the Community beyond that agreed by the *Ad Hoc* Assembly. It is uncertain, as a matter of practice, that there will be much effective pressure in such a direction. The Dutch, of course, have consistently wanted to extend the economic competencies of the Community, and will continue to press for this. The Germans and Italians have generally favored measures tending to increase the supranational character of the Community. However, the political exigencies of getting parliamentary ratification, plus conflicting national viewpoints which operate to cancel each other out, may prevent any substantial enhancement of the Community's powers by the governments. The danger is that they might insist on watering them down.

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[3] For a record of this first session of the Common Assembly, see Document 105.

The whole business of progress on the EPC is so inextricably bound up with the EDC ratification process, both as cause and effect, that the future of the former depends on what happens to the latter. Although there was an inclination on the part of some German parliamentarians during the last Strasbourg session of the *Ad Hoc* Assembly to attempt to write the substance of the EDC treaty into the EPC treaty, so that if the former fell by the wayside there would be a second chance to have a European Army, they dropped the idea. Even if they were to revive it in the face of collapsing EDC prospects, I do not think the present drive toward a political community could survive such a collapse. All the steam would be taken out of the advocates of European unification.

On the other hand, of course, progress on the EPC may be a factor in the ratification of the EDC, particularly in view of its probable effect on the French Socialist vote. The problem is to keep the two processes of EDC ratification and EPC treaty-drafting (and after March 10 treaty negotiating) moving along so that they mutually assist rather than hinder each other.

I think you are right in feeling that we are not in a good position to exercise pressure on the parliamentarians with a view to influencing details of the treaty. As you know, parliamentarians are likely to be highly sensitive to pressures which they feel improper, and in reacting often go to the opposite extreme. Moreover, the general context in which the drafting of the EPC treaty is taking place does not seem favorable to active U.S. intervention. I may add that, as changes have been made in the treaty text, most of them seem to be in the direction of greater clarity and a more real community. A certain amount of give and take among the parliamentarians representing different viewpoints has, of course, been necessary, and no one is completely satisfied by some of the formulations which have been squeezed out after many weary days of discussion and debate. It is, I believe, still too early to say whether some attempt on our part to exercise influence might be advisable after the draft treaty goes to governments.

Although there was a danger in some of the earlier versions of the pertinent articles that the EPC would greatly water down the supranational powers of the CSC and EDC institutions, this appears to have been largely averted in the current formulations. One can argue that some diminution in the capacity of the CSC High Authority to act is inevitable once it becomes part of a greater whole, and this seems to me a logical consequent of the process of integration itself. However, the parliamentarians have been conscious of the need to safeguard the unique positions of the CSC and EDC Executives during the transitional period until they are absorbed into the European Executive.

Some commentators have been worried by what they consider to be the element of instability being built into the treaty by its adoption of a system of executive responsibility to parliament analogous to the French system. The French Socialists are of course pressing for precisely this sort of dependence on the parliament. As you know, the CSC treaty provides that the High Authority can be voted out of office only by a majority of ⅔ of the Common Assembly. Yet the *Ad Hoc* Assembly approved a formulation which would permit the Executive to be overthrown by a vote of censure carried by a simple majority in both chambers of the European Parliament. Second thoughts on this have led the Working Group to favor a formulation which now permits the overthrow of the Executive by a ⅗ vote of the Chamber of Peoples or by a constructive majority (modeled after the system in the Grundgesetz of the German Federal Republic) in the Senate. It seems likely that further changes in this article will be made before the draft treaty assumes final form.

As far as the amending procedure is concerned, I do not think it likely that either the parliamentarians or governments will propose that the Community have within it a capacity to extend its areas of competency without the consent of all the member governments. The present formulation provides that:

> "Revisions of the provisions of the present Treaty which modify the competence of the Community with regard to the member States or the definition of the individual rights and fundamental freedoms guaranteed by the present Treaty shall be achieved in the following manner:
>
> "The European Executive Council shall adopt a proposed amendment of the Treaty, subject to the unanimous concurrence of the Council of National Ministers.
>
> "The proposal shall be submitted for approval to the Parliament of the Community and to the national Parliaments, which may approve or reject it.
>
> "The amendments shall be promulgated by the European Executive Council."

Whether member governments will be prepared to agree to suggested amendments made by the Executive Council of the Community will presumably depend on the climate of feeling which develops after the Community comes into existence. If popular support for the Community develops, and what it is doing seems to be a good thing, then the governments will not be able to withhold their consent to those further delegations of powers which seem to follow logically.

By and large, I think it may be said that the parliamentarians, who have given a great deal of their time and energy to the work of the past few months, have done a commendable job given their personal limitations and the many exigencies of the moment. Some of them would like to go farther and faster, but are constrained by what they feel to be the political realities of the moment. There is remarkably little woolly-headed idealism among the members of the Constitutional Committee and even the *Ad Hoc* Assembly. If one were to try to put a finger on what is lacking, I should say it is the absence of a brilliant, subtle and fertile intelligence to exercise leadership during moments of floundering such as Monnet was able to provide during the drafting of the CSC. The EPC deliberations sometimes have the atmosphere of an afterthought rather than the expression of a forceful idea moving to action. As you know, there exists to date little popular enthusiasm for or interest in the work of the parliamentarians.

We have heard reports that you will be coming this way soon en route to Geneva. [4] If these are true, we shall look forward to seeing you and perhaps having the opportunity to expand on some of this orally.

Sincerely yours,

MARTIN J. HILLENBRAND

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[4] Camp was scheduled to travel to Geneva for the Eighth Session of the United Nations Economic Commission for Europe, Mar. 3-18.

No. 154

740.00/2-1853: Despatch

The First Secretary of the Embassy in the Netherlands (Shullaw) to the Department of State [1]

CONFIDENTIAL THE HAGUE, February 18, 1953.

No. 920

Subject: Netherlands Note dated February 14 on European Political and Economic Integration

On February 14 the Netherlands Foreign Minister, Mr. J. W. Beyen, sent identical notes to the French, Belgian and Luxembourg Foreign Ministers, the Italian Prime Minister and the West German Chancellor elaborating on the Netherlands views concerning European political and economic integration which were set forth in his memorandum of December 11. [2] A copy of Mr. Beyen's

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[1] Copies were also sent to Bonn, Rome, Paris, Brussels, Luxembourg, and London.

[2] A translation of Beyen's Dec. 11 memorandum is in file 740.00/12-1752. An analysis of the Dec. 11 memorandum prepared for Tomlinson in a memorandum by Stanley M. Cleveland, dated Dec. 20, is in Bruce Mission files, lot 57 M 38, "CSC—Relations with Member Governments".

Note, which was supplied to the Embassy by the Netherlands Foreign Office, is transmitted as an enclosure to this despatch. [3]

The Netherlands Note states that the *raison d'etre* of the proposed Political Community is the need for real solidarity among the peoples of Western Europe—a need which can not be satisfied if a narrow interpretation is given to the words "Political Community". In fact the degree to which political solidarity can be realized depends in large part on the measure to which the community actually contributes to the solidarity of the economies of the participating countries. The Netherlands believes that this relationship must be made firm in the powers conferred on the community from its inception. The Note states that the Netherlands does not consider it possible to organize a Political Community whose powers would be limited to areas already integrated with the hope that the organs of such a community in time would acquire through their own efforts the authority to extend the domain in which the community would have competence. "This hope seems scarcely justified, because the extension of the political authority of the aforementioned organs would be influenced very unfavorably by the fact that responsibilities would have been intentionally refused to the Political Community, precisely in the domains where it ought to acquire authority". Furthermore such a procedure does not take sufficient account of uncertainties and conflicts between national organs and European organs which would be increased by efforts by the European organs to enlarge their authority.

Mr. Beyen points out that in the course of history important disparities have developed in the structure of national economies. Encouragement of integration must in the circumstances be carried forward not only with strong conviction but also with extreme prudence. Adjustments necessary for the gradual integration of the economy of Western Europe should be limited in character and should take in all sectors of the national economies. They should be carried out in such a way that unfavorable effects in one sector could be compensated by favorable adjustments in another sector. In this way grave social and economic disturbances in the national economies could be avoided. The member states in addition would be obliged to accept a common responsibility for the prevention and neutralization of such disturbances.

The Note states that in pursuance of these principles the Netherlands Government has decided to propose the setting up of a Tariff Community among the countries "which decide to participate in the Political Community". In doing so it states that the Netherlands feels obliged to give a concrete meaning to the common responsibility of the member states to prevent serious social and economic disturbances.

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[3] Not printed. A translation of the text of this enclosure is in RA files, lot 58 D 374, "EPC".

The Netherlands Government believes that in formulating the objectives of the Political Community the creation of a common market should be expressly stated as one of these objectives. Furthermore as a concrete contribution to the realization of this objective it should be decided to establish a Tariff Community and the Treaty itself should elaborate steps to be taken and the period during which it could be realized. Mr. Beyen's Note then goes into some detail on the points to be included to this end in the Treaty setting up the Political Community.

The Note concluded by saying that the Netherlands proposals would give the Political Community a positive and constructive task which would contribute to the solidarity of the member states. The task of the Community would be to attack the problem of economic integration beginning with a solution of the problems resulting from the establishment of a Tariff Community and continuing with the problems connected with the creation of a common market. By coordinated cooperation in this task serious repercussions in the individual countries could be avoided.

J. HAROLD SHULLAW

No. 155

740.00/2-2753: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

CONFIDENTIAL PARIS, February 27, 1953—4 p.m.
PRIORITY

Coled 2. Subject is European Political Community.

1. Six Foreign Ministers at Rome meeting [2] agreed on stronger statement of support for economic integration than was contained in Luxembourg resolution. [3] They did not accept proposal con-

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, and Luxembourg

[2] The Foreign Ministers of France, Italy, the Federal Republic of Germany, the Netherlands, Belgium, and Luxembourg, met in Rome Feb. 24-25 to discuss matters of common concern, especially the European Defense Community and the European Political Community. For a summary of their discussion of the EDC, transmitted to the Department of State in telegram Coled 1 from Paris, Feb. 27, see vol. v, Part 1, p. 741.

[3] For the text of the "Luxembourg resolution," which was approved by the six Foreign Ministers of the Schuman Plan countries on Sept. 10, 1952, see Document 103.

tained Dutch memos of December 11[4] and February 14[5] for progressive creation six-country customs union. This suggestion was left to be dealt with by committee of experts in connection with consideration economic provisions of proposed political community treaty.

2. Beyen opened first ministers meeting with lengthy statement outlining Dutch position. He reiterated traditional Dutch argument that political and economic integration must go together. Bidault followed with non-committal but essentially negative speech. He did not exclude extension of integration in the economic field, but thought this should be worked out in separate negotiations leading to separate treaty. Adenauer strongly supported principle of economic integration, but felt it would be a mistake to hold up agreement on political community. De Gasperi and Van Zeeland also approved integration in principle but were reluctant to discuss details.

3. In final communiqué,[6] six countries for first time clearly state that "a vast economic integration, and in particular the creation of a single market . . .[7] is a fundamental objective of their policy." None of ministers present expressed support for specific Dutch proposals. Feeling even among those who most strongly support economic integration is that customs union not accompanied by transfer of authority to European institutions would only result in a six-country OEEC. Dutch themselves admit privately that specific contents of the memo are only a preliminary idea, and they are willing to consider substantial changes.

BRUCE

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[4] See footnote 2, *supra*.

[5] For a summary of this Feb. 14 memorandum, see despatch 920 from The Hague, Feb. 18, *supra*.

[6] For the text of the communiqué, issued in Rome on Feb. 25, see *Documents* (R.I.I.A.) for 1953, pp. 211-212.

[7] Ellipsis in the source text.

No. 156

740.00/2-2753: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

CONFIDENTIAL
PRIORITY

PARIS, February 27, 1953—4 p.m.

Coled 3. Subject is European Political Community.

1. Ministers had before them two suggestions on procedure for handling EPC after March 10. Letter from Spaak had invited ministers to attend closing meeting *Ad Hoc* Assembly March 10 to receive treaty. Spaak also suggested that treaty then be considered directly by ministers themselves in collaboration with leading members of *Ad Hoc* Assembly, as prelude to signature by governments. De Gasperi suggested joint meeting of ministers and parliamentarians to consider not substance but procedure to be followed. Italians also suggested that way might be found to present treaty informally to National Parliaments of six member states in order to arouse parliamentary interest and support and obtain reactions before treaty approved in final form by governments.

2. Benelux Ministers voiced immediate opposition to Spaak and De Gasperi proposals. They were in general supported by Bidault. Van Zeeland was particularly emphatic; he repeatedly referred to *Ad Hoc* Assembly as a "study group" and apparently suggested that their conclusions should be forwarded to Ministers through Secretariat of council. Conclusions would have standing, in his view, as a basis for discussion, and treaty to be signed by governments could only be drawn up by traditional diplomatic conference. Benelux Ministers emphasized that certain provisions of EDC treaty were already known to be in conflict with views of governments. Bidault stated he could not be in Strasbourg on tenth, as Quai d'Orsay had scheduled visit of Turkish Prime Minister to Paris on that date. Refusal of Spaak's invitation was averted only by strong speech from Adenauer, pointing out that Foreign Ministers had taken responsibility of setting leading parliamentarians work for six months on this treaty, and should give proper weight and consideration to their conclusions. Ministers finally agreed to come to Strasbourg on March 9.

3. No decision whatever was taken on subsequent procedure. In face of determined opposition from Van Zeeland to meeting with parliamentarians, Adenauer insisted that Ministers should at least "take a cup of tea with them." It was left that informal joint meet-

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[1] Repeated to London, Bonn, Brussels, The Hague, Rome, and Luxembourg.

ing would probably be held in Strasbourg to discuss further procedures.

[BRUCE]

No. 157

740.00/2-2753: Telegram

The Secretary of State to the Office of the United States Representative to the European Coal and Steel Community, at Paris [1]

CONFIDENTIAL WASHINGTON, March 2, 1953—7:22 p. m.
PRIORITY

Edcol 2. Ref Coled 3 Feb 27 on EPC. [2]

1. Think Spaak suggestion that Treaty be considered directly by Ministers with *ad hoc* Assembly leaders as prelude to signature by Governments is not practical and overlooks need for further study by experts within Governments. After this, would probably need further negotiation in inter-governmental working group of some kind (para 3 Deptel 4582 to Paris [3]).

2. Somewhat disturbed by Bidault-van Zeeland attitude (para 2 Coled 3). If Ministers were to regard present draft as merely "basis for discussion" thus repudiating group which they had assigned to work on this Treaty, retarding effect on six-country community could be most serious. Bidault suggestion that Treaty could only be drawn up by regular diplomatic conference seems to us an obstructive conception and as unnecessarily playing down stature of this six-nation group.

3. While U.S. should not, of course, intervene, believe you should feel free to express view informally whenever appropriate that Ministers should certainly meet with leading *ad hoc* Assembly members March 9, and would hope this meeting could, as De Gasperi suggested, consider procedure from then on.

DULLES

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[1] Drafted by Parsons, cleared with Knight and MacArthur, and repeated to London, Brussels, The Hague, Rome, Luxembourg, and Bonn.

[2] *Supra.*

[3] Not printed; it briefly discussed the procedure for the review of the treaty on the establishment of a European Political Community. (740.00/2-2753)

No. 158

740.00/3–553: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

CONFIDENTIAL PARIS, March 5, 1953—5 p. m.

Coled 25. Subject is European political community. Reference Department telegrams 4582 February 24 [2] and Edcol 2, March 2. [3]

1. Governments will insist on having full opportunity to discuss and to make changes in EPC draft treaty. Problem after March 10 will be to provide framework within which parliamentarians would continue to play important role. Participation by parliamentarians would help momentum for both EDC treaty and EPC treaty and enable EPC treaty to be submitted for ratification to national parliaments as "legislators document" and not merely "experts draft" or "diplomatic treaty". Danger is that governments will put treaty on ice and resist participation by members of *ad hoc* assembly. Result would be feeling of letdown and much bitterness. As Adenauer pointed out at Rome parliamentarians have worked long and hard over six month period and their product should not be treated casually.

2. Draft treaty which constitutional committee has submitted to *ad hoc* assembly appears to be acceptable vehicle as next step in unification process. We cannot expect a complete and balanced European constitution at this time. Most serious weakness is large difference in size between constituencies which will elect members of Lower House in Benelux countries and those in larger countries.

3. Reference paragraph 4, your telegram 4583 [*4582*], draft treaty contains more supranational features than governments are likely to accept. Beginning with *ad hoc* assembly directives of last January, process of debate and redrafting in working group subcommittees and constitutional committee has led to modification most of objectionable features earlier versions stressed in Luxembourg's telegram 133 January 2 repeated Paris 61. [4]

European Executive Council, for example, has been considerably strengthened in relation Council of National Ministers. Under present formulation Council of National Ministers exercises powers only in cases specified in CSC, EDC and EPC treaties, and no longer has general supervisory functions regarding executive council. Nor does draft treaty water down supranational concepts now embodied in CSC and EDC treaties, although it does heighten responsibility of executive to parliament.

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[1] Repeated to London, Rome, Brussels, The Hague, Luxembourg, and Bonn.

[2] See footnote 3, *supra*.

[3] *Supra*.

[4] Not printed; it summarized Tomlinson's analysis of the "grave weaknesses" in both substance and form of the draft treaty for the European Political Community. (740.00/1–253)

4. Should treaty as it emerges from *ad hoc* assembly and subsequent negotiations between governments contain serious flaws, we would have adequate opportunity to express views if we wished to do so. I see no immediate need for us to inject ourselves into actual negotiations. I doubt whether we should stress need to broaden areas of competence immediately. Experience with two recent Dutch memoranda, taken together, provides example that in present context widening community competency likely to mean weakening supranational features of its central institutions. In name of "Europe" two Dutch memoranda [5] propose little more than six-nation OEEC.[6]

BRUCE

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[5] Presumably a reference to the Dutch memoranda of Dec. 11, 1952 and Feb. 14, 1953. For information concerning both of these memoranda, see Document 154.

[6] In telegram Edcol 10 to Paris, Mar. 6, the Department of State noted its agreement, especially with the sentence in paragraph 4 concerning the lack of an immediate need for U.S. participation in the actual negotiations concerning the treaty for a European Political Community. (740.00/3-553)

No. 159

840.00/3-653

Memorandum by Ruth H. Phillips of the Office of European Regional Affairs to the Director of the Office (Moore)

WASHINGTON, March 6, 1953.

Subject: UN-ECE Economic Survey

Attached is a story by Michael Hoffman in the *New York Times* of March 6, [1] summarizing this year's ECE Survey, [2] which was released to the press yesterday. A similar account appeared in the *Washington Post.* Although Hoffman's summary overly simplifies the Survey, he does catch the tone of the report, which, similar to previous Surveys, is gloomy and pessimistic regarding Western European developments and fairly uncritical when addressed to Soviet bloc accomplishments. The Survey is, however, an impressive achievement, covering the period 1947-1952.

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[1] Not printed.

[2] Presumably a reference to *Economic Survey of Europe Since the War* (Geneva, 1953), which was issued by the United Nations Economic Commission for Europe.

For your information, I am attaching an impressionistic view of this year's Survey prepared for Miriam Camp's use by Bob Asher after discussion with the few people in the Department, including myself, who had read the Survey. The Survey arrived very late this year, reaching Washington only a day before the ECE Session opened. Moreover, only a few copies are available, making full Departmental and inter-Departmental review of the Survey in time for use by our Delegation in Geneva impossible. As a result, a cable was sent to Miriam Camp giving her discretion to prepare her own statement, reserving her Government's opportunity to comment further at a later date. It was also requested that, if it were feasible, the Delegation inform the Department in advance of the main points of the proposed Delegation statement.

In addition to the attached paper by Asher, the Delegation also has DRS comments on the Soviet bloc chapters and some brief comments from various specialists in "E" and "EUR" on specific aspects of the Survey. These were sent informally. These are available if you wish to see them. Most of these comments are addressed to giving a better balanced and constructive statement of Western European developments than does the Survey and to pointing up the deficiencies of the chapters on Eastern Europe.

Since we have not yet had any indication from the Delegation of the approach they plan to take on the Survey, we are suggesting that if Department officials are questioned on the report they comment along the following line: The Survey, which was issued on the responsibility of the ECE Secretariat, is now being studied by the Department; the Survey, as is customary, will be discussed as one of the principal items at the current ECE Session and U.S. comments will be made in the first instance by the U.S. Delegation now in Geneva. [3]

MSA may also suggest to SRE that the latest production statistics now available for OEEC countries on the fourth quarter be released in Paris. These figures indicate that the index of industrial production which stood at 126 in July, 122 in August, and 139 in September, rose to 146 in October and 149 in November. There was a seasonal drop to 139 in December. These statistics should assist in refuting the Survey charge of "stagnation" in Western Europe.

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[3] The Eighth Session of the Economic Commission for Europe was in progress in Geneva from Mar. 3 through Mar. 18. Documentation concerning this Eighth Session is in file 340.240.

[Attachment]

Memorandum by the Special Assistant to the Assistant Secretary of State for Economic Affairs (Asher)

[WASHINGTON,] March 3, 1953.

LATEST ECE SURVEY

The similarity of the latest Survey to previous ECE Surveys suggests that a similar US approach might be used this year.

The latest Survey, however, is more ambitious in scope than previous editions since it covers the entire 1947 to 1952 period. Like its predecessors it is a rich source book. It brings together a wealth of statistical material, offers a detailed analysis of the material, and presents the results of its analysis lucidly and skillfully. We know of no United Nations publication in the economic field that is more valuable as a reference work.

A careful review of the facts and figures to be found in the Survey indicates that a rather remarkable amount of progress has been made by the free world in the past five years—in increasing production, in bringing inflation under control, in expanding trade, in maintaining a high level of investment, in avoiding any major recession, in achieving a more equitable distribution of income, and in developing habits and institutions for international economic cooperation and greater collective security. In short, an impressive groundwork for continued progress and for an expanding world economy has been established.

Yet this is not the impression one receives from the ECE Survey. This year's edition is in the traditional gloomy and pessimistic vein. The remarks made by the US Delegate at the session two years ago are still relevant (see attached excerpt from 1951 statement [4]). The detailed discussion of Western European problems which takes up most of the space in the Survey is replete with references to "stagnation", "failure", "ill-conceived policies", "disintegration", etc. Success, when it is too self-evident to be overlooked, is attributed to "exceptional circumstances" or is described as "abnormal" or "unusual", or due more to luck than sense; it is, therefore, unlikely to last.

There is a formal recognition in the Survey of the fact that the world's major economic problems can only be solved in the context of the kind of expanding economy that has characterized the postwar period, but the authors take a dim view of the capacity of the free world to continue this expansion. The writers tend to look upon the world economy as a battleground of fixed dimensions in which country "X" can expand its exports only by displacing the exports of country "Y" or allocate resources to new fields of activity only by decreasing the volume of resources allocated to existing sectors of the economy.

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[4] Not attached to the source text.

While they feel free to use words like "stagnation" in describing free world problems, the authors are much more circumspect in dealing with other areas. Results that are wide of the target are described not as "failures" but rather as "short-falls" or occasionally as "overfulfillment". Judgments are made in Olympian fashion and with the penetrating wisdom of hindsight about the value of different Western European courses of action, their social cost, their impact on various sectors of the population, their effect on other nations, etc. The totalitarian methods used in Eastern Europe do not come in for similar critical scrutiny although their cost in human misery is almost beyond calculation. It is as if the authors, when discussing Western Europe, psychologically placed themselves in the main stream of civilization and generously exercised the right of every free citizen to criticize the acts of his government. When discussing the Soviet bloc, they seem to have placed themselves psychologically under the thumb of the all powerful dictatorship and seem to recognize the apparent futility of criticism against the powers that be.

It is not easy to detect the theme of the present Survey. As far as the US Delegation is concerned, however, the main message is perhaps best stated in the last paragraph of the introductory portion of Chapter 6 (page 86). Here it is stated that "While notable progress has been made, the extent of the adjustments needed is greater, and the limitations and uncertainties arising from factors external to Europe more serious, than has been recognized in the policies so far pursued or in some of the current proposals for seeking short-cut solutions, and that there is still need for more direct measures to redress the underlining imbalance in world production and trade."

The US Delegation need not disagree that the problems have proved to be more serious, deeper rooted, more challenging than was foreseen some years ago. This is becoming fairly widely known, however—both in the US and elsewhere and can hardly be classified as a trade secret now revealed for the first time by the ECE Secretariat. Nevertheless, to the extent that the ECE has helped create public understanding of the magnitude and complexity of the problems ahead of us, we are of course grateful. We think they can be solved without sacrificing the freedom which is essential if the economy is to remain dynamic and responsive to the needs of the times.

No. 160

840.00/3-1053

Memorandum of Conversation, by the Assistant Secretary of State for Economic Affairs (Linder)[1]

CONFIDENTIAL WASHINGTON, March 10, 1953.

Subject: Economic Conditions and the Choices of Future Policy.

Participants: Mr. Hammarskjold, Minister Without Portfolio
Mr. deBesche, Economic Counselor—Swedish Embassy
E—Mr. Linder
E—Mr. Schaetzel
OFD—Mr. Corbett
EDT—Mr. Leddy
BNA—Mr. Hilliker

Mr. Hammarskjold began with an effort to analyze the nature of the economic difficulties of Western Europe. He emphasized his conviction that the problem of earning more dollars could not be explained solely in terms of temporary difficulties, such as low productivity or deficient capital equipment as compared with the United States. Rather, he thought the difficulties were basic and structural. In addition to such things as the decline in the Eastern European market, the basic difficulties might include even long term developments beginning in the United States in the 1920s or before, but not identified at the time.

If this analysis was correct, solutions would have to be aimed mainly at eliminating the structural problems, e.g., equalizing the competitive positions of the United States and Western Europe. Less basic measures to correct existing difficulties would undoubtedly produce certain improvements but might also bring forth unforeseen developments of an undesirable nature. He was thinking of measures which, while increasing European exports to the dollar area, might produce an even larger flow of dollar imports to Europe through changes in such elements as the European propensity to save, etc.

Based on this line of thought, Mr. Hammarskjold wondered whether efforts should not continue to be limited to increasing liberalization within a protected area, while at the same time attacking structural problems with a view to strengthening the area for eventual full exposure to outside conditions. Although he emphasized this was only a tentative line of thought and in no way official, Mr. Hammarskjold several times reverted to this note of caution concerning next steps. Following some further exchange of views, however, he finally clarified his central thought as a desire, not to oppose broadening the area of liberalization, but to be certain that any steps taken be based on "facts" and have foreseeable consequences. It was essentially an argument for proceeding cautiously toward the solution of problems which he thought had no "revolutionary" solutions.

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[1] Drafted by Hilliker.

In response to a question, Mr. Hammarskjold said the outlook in Western Europe seemed even somewhat brighter than a few months ago. He was mainly encouraged by the fact that British and French import restrictions and increased German competition during 1952 had not, contrary to predictions, done any serious damage to the Scandinavian economies. The powers of adjustment in those countries were much greater than expected. On the other hand, the British restrictions could have done particular harm in this "sterling corner" of Europe if they had led to restrictions in other countries and a cumulative downward spiral of trade. He agreed that the present French problems constitute a serious drag on the whole Western European economy.

In the case of Sweden, Mr. Hammarskjold described the stabilization which had been possible in 1952 following the "euphemism" of one-time inflation the year before. The main inflationary tendency in Sweden at present resulted from the pressure of heavy defense expenditures. He thought in all frankness that the present tax burden was higher than economic conditions justified; however, the Government has an emergency plan for damping the economy (e.g., by reducing housing construction) just as it has one for pump priming.

HAROLD F. LINDER

No. 161

Editorial Note

The 26-member Constitutional Committee, which was formed by the *Ad Hoc* Assembly of the European Coal and Steel Community in September 1952 for the purpose of drafting the first report concerning the creation of a European Political Community, completed the first part of its task by December. In its report, dated December 20, 1952, the Constitutional Committee made recommendations concerning the powers and competence of the proposed European Political Community, the nature of its political and judicial institutions, and the type of liaison to be established between it and third states or other international organizations. For information concerning the formation of the Constitutional Committee, see Document 109. A copy of the report of the Constitutional Committee is in Bruce Mission files, lot 57 M 38, "EPC." Various parts of this report were summarized in telegrams 129–135 from Luxembourg, January 2–4, all of which are in file 740.00, along with despatches 1394 and 1400–1404 from Luxembourg, December 30, which provide the texts of the resolutions approved by the Committee.

The report of the Constitutional Committee was presented to the January session of the *Ad Hoc* Assembly and the Consultative Assembly of the Council of Europe, both of which met in Paris. After receiving approval of its report by both assemblies, the Constitutional Committee continued its task of drafting a treaty, and by February 26 this effort was completed. The draft treaty, along with an introductory report and an explanatory memorandum, was ready for final consideration by the *Ad Hoc* Assembly. A copy of the draft treaty, issued in two parts and circulated as Document 12 of the *Ad Hoc* Assembly, is in Bruce Mission files, lot 57 M 38, "EPC".

On March 6–7 and 9–10, the *Ad Hoc* Assembly met in Strasbourg to consider the draft treaty presented by the Constitutional Committee, as well as two related protocols. Although the text was amended by the Assembly, no alterations in the fundamental structure of the draft were made, and all the supranational features of the proposed European Political Community were retained. The draft treaty was adopted by the Assembly during its March 10 meeting by a vote of 50 to 0 with 5 abstentions. A summary report of the debates, minutes of the proceedings, and conference documentation were issued in booklet form by the *Ad Hoc* Assembly, copies of which are in Bruce Mission files, lot 57 M 38, "EPC". Summaries of the March session of the *Ad Hoc* Assembly were sent to the Department of State in telegram 296 from Strasbourg, March 8, and telegram Coled 34 from Paris, March 12, 740.00/3–853 and 740.00/3–1253, respectively.

No. 162

740.00/3-1253: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

CONFIDENTIAL PARIS, March 12, 1953—1 a. m.

Coled 31. Subject is European Political Community.

1. Ministers meeting in Strasbourg [2] under Bidault's chairmanship was something of a fiasco. Van Zeeland was real obstruction, but because of Bidault's attitude, blame was unanimously attributed to him. Advisers present say that Bidault arrived 40 minutes late, was ill-mannered; distorted and confused discussions intentionally; indulged in frivolity and bad jokes; and seemed to wish to be as disagreeable as possible. I understand that both Adenauer and De Gasperi left Strasbourg irritated and angry.

2. No mention was made of EDC treaty or ratification problems. Adenauer–Bidault talks on Saar were apparently without results except that Bidault concluded by stating he would like to talk to Hallstein about question in Paris. Ministers were only in Strasbourg Monday afternoon and evening. [3]

3. Van Zeeland, apparently motivated by fear of Spaak's role, prevented any decision on further participation of members of *Ad Hoc* Assembly in development of EPC treaty. He insisted task of *Ad Hoc* Assembly was now completed and that it should be disbanded. He would admit that exact language of Article 38 of EDC treaty should be followed calling for a conference within three months to examine proposals made by *Ad Hoc* Assembly and that each government could consult its representation in *Ad Hoc* Assembly if it wished.

4. De Gasperi, Adenauer and Beyen, with De Gasperi taking the lead, managed to keep question open for continued participation by members *Ad Hoc* Assembly. They also pressed for immediate consideration by governments of Assembly's proposals and succeeded

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[1] Repeated to London, Bonn, Rome, The Hague, Brussels, and Luxembourg (for Bruce).

[2] The Foreign Ministers of France, Italy, the Federal Republic of Germany, Netherlands, Belgium, and Luxembourg met in Strasbourg on Mar. 9 to discuss developments relating to the European Political Community. In addition to this meeting, which is summarized in this telegram, a formal meeting was also held that same day during which Spaak made a symbolic presentation to the six Foreign Ministers of the draft treaty. The presentation was symbolic because action on the draft treaty was scheduled to be completed by the *Ad Hoc* Assembly on the following day, Mar. 10. For information concerning the work of the *Ad Hoc* Assembly, see the editorial note, *supra*.

[3] Mar. 9.

in imposing a decision for Council of Ministers to meet again in Luxembourg on May 12. This was only positive decision of entire meeting.

5. Purpose of May 12 meeting is very uncertain. De Gasperi, Adenauer and Beyen believed Ministers had also agreed: (a) that each government would forward comments to Secretary of the Council of Ministers to prepare for the May 12 meeting; (b) that May 12 meeting would discuss substance of proposals and not just date of conference; and (c) that procedure to permit participation of members of *Ad Hoc* Assembly would be decided. This understanding was later brought in doubt when agreement could not be reached on communiqué to press.

6. Members of *Ad Hoc* Assembly in general are very irritated by off-hand treatment received from Ministers and interpret prudent speech of Bidault as rebuff. Very few are satisfied with explanation that Bidault, because of Mollet's opposition to *Ad Hoc* Assembly's work, had to be cautious in hope of obtaining future ratification French Socialist support for European army treaty. Members of *Ad Hoc* Assembly are determined to continue and to conduct a strong campaign for adoption of their draft treaty. Resolution in immediately following cables [3] submitted jointly by 19 members was carried unanimously and is first step in this campaign. *Ad Hoc* Assembly is in a weak position because it must depend on governments for financing but presumably Parliamentarians will find a way around this problem.

BRUCE

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[3] This is a reference to telegram Coled 32 from Paris, Mar. 12, which transmitted to the Department of State the text of the resolution adopted unanimously by the *Ad Hoc* Assembly instructing the Constitutional Committee to keep in touch with governmental action on the draft treaty embodying the statute of the European Political Community. (740.00/3-1253)

No. 163

Bruce Mission files, lot 57 M 38, "CSC-OEEC Relations": Telegram

The United States Special Representative in Europe (Draper) to the Mutual Security Agency [1]

RESTRICTED PARIS, March 21, 1953.

Repto 2812. Washington pass State. Subj.: Relations between OEEC and European Coal and Steel Community.

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[1] Repeated to Luxembourg.

The OEEC Council at official level meeting March 20 [2] adopted resolution providing for closer working relationship with High Authority. [3] Austria and Portugal accepted ad referendum. Main point of resolution invites HA to send observer to OEEC meetings of Council and Exec Comite, when discussions in HA judgment have bearing on CSC activities. Observer also invited to meetings Coal, Iron and Steel, Inland Transport, Manpower, and Joint Trade-Payments Comites, and any bodies engaged in study questions relating investment. Attendance at meetings other technical comites to be decided by Exec Comite after discussion with Chmn comite concerned. Documents relating to work those groups whose meetings observer will attend are to be made available to HA.

2. Non-members of CSC, led by Bartels of Den, again stressed "one-way street" aspect of relationships with HA and found resolution unsatisfactory in that no exchange of views provided for. Cattani, Italy as Chmn of working party concerned with preparing resolution stated that present draft was best that could be arranged for present.

3. On urging from Bartels that Min Council on Monday not be faced with necessity debating draft resolution, because of difficult political position in which non-members CSC would be placed, it was agreed that Ministers would merely be informed of action which had been taken at official level.

DRAPER

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[2] The minutes of this 208th meeting of the OEEC Council, which took place in Paris on Mar. 20, are in OEEC files, lot 56 D 217, "C/M(53)1 through 10".

[3] The text of this resolution, which was circulated as Council document C(53) 86(Final), is in OEEC files, lot 56 D 217, "C(53)86".

No. 164

740.5/4-353: Telegram

The Ambassador in the Netherlands (Chapin) to the Department of State [1]

SECRET THE HAGUE, April 3, 1953—9 a. m.

1302. Reference Embtel 1301.[2] In afternoon session which Bruce and I had with Beyen and Luns, which lasted nearly another hour and a half, and which was called ostensibly to discuss EPC, Beyen concentrated almost exclusively on Dutch proposal for European economic integration. He led off with a long, diffuse philosophical discourse on Dutch belief that economic integration of Europe should go hand in hand with political integration. Beyen first indicated Dutch considered that some action on economic integration of six member countries such as a tariff community which would apply to all products, industrial or agricultural, was essential for Dutch support of EPC. Subsequently, however, he stated Dutch Government would not oppose EPC alone and indicated Dutch might be content for time being with adoption some resolution nodding in direction of economic integration and perhaps appointment of *ad hoc* inter-governmental committee to study matter. Beyen said it was hope of Dutch Government that if tariff community could be set up for six nations this would be one which could be adhered to by other individual European nations in due course. However, he stated modalities for such action together with other important details had, of course to be worked out. It apparent from general discussion that such basic considerations as conversions of currencies, compensation to marginal producers, handling of displaced labor groups and other important matters that thinking of Dutch Government itself with regard to proposed tariff community was only in its inception.

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[1] Repeated to Rome, Bonn, Paris, London, Luxembourg, and Brussels.

[2] Not printed; it reported on the morning meeting between Bruce, Chapin, Beyen, Luns, and Staf, which dealt entirely with Dutch ratification efforts of the EDC Treaty and U.S. efforts to accelerate that ratification. (740.5/4-353)

Bruce developed some detail attitude other EDC countries toward EPC and his feeling that EPC and EDC were no longer necessarily tied together in eyes of French and Germans, to which two Foreign Ministers agreed.

In an hour's conversation prior to our meeting with Beyen and Luns, Mansholt, Minister of Agriculture, had already set forth his feelings with regard to Green Pool [3] and his belief that nations now discussing possibility such pool were proceeding on wrong basis since they were attempting for selfish reasons discuss only certain principal commodities rather than attack problem as whole. It apparent from other remarks Mansholt made that, naturally as member of Dutch Cabinet, he was approaching question of European agricultural integration on same basis as that set forth by Beyen for total European economic integration.

CHAPIN

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[3] For documentation concerning Green Pool developments, see Documents 235 ff.

No. 165

Editorial Note

As a result of arrangements initiated in meetings between Dulles, Stassen, and representatives of the Organization for European Economic Cooperation held in Paris on February 3 (see Document 151), a delegation from the OEEC visited Washington for a series of meetings with representatives from the Departments of State, Treasury, and Commerce, the Mutual Security Agency, and the Federal Reserve on April 10 and April 13 through 16. The OEEC delegation, led by Sir Hugh Ellis-Rees, Chairman of the Council of the OEEC, Attilio Cattani, Chairman of the Executive Committee,and Robert Marjolin, Secretary-General, came to Washington for the purpose of presenting to the new administration their view of European and United States economic policies and becoming better informed concerning the economic outlook in the United States. The voluminous records of the nine scheduled meetings with the OEEC delegation are not printed; the minutes of these meetings, as well as documentation concerning the preparations for this visit, are in RA files, lot 58 D 374, "OEEC Conference—April 1953". For a brief summary of these meetings and the text of the joint communiqué issued at their conclusion, see Department of State *Bulletin*, May 18, 1953, pages 719–720.

No. 166

Editorial Note

The Committee of Ministers of the Council of Europe met in Strasbourg May 6–7, but no discussion of the draft treaty of the European Political Community took place. According to telegram 330 from Strasbourg, May 8, which briefly summarized the meetings, the draft treaty was barely mentioned, and the general feeling among all the Ministers was that the Foreign Ministers of the six countries concerned should first come to a decision before the draft treaty was discussed by the Committee of Ministers. (740.00/5–853)

No significant action concerning the draft treaty occurred during the first part of the Fifth Ordinary Session of the Consultative Assembly of the Council of Europe, which met in Strasbourg May 7–13. For a record of these meetings, see *Minutes of Proceedings* (Strasbourg, 1953) and *Official Report of Debates* (Strasbourg, 1953).

No. 167

740.00/5-1553: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

SECRET PRIORITY PARIS, May 15, 1953—7 p. m.

Coled 74. 1. Meeting of 6 Foreign Ministers on EPC [2] was unexpected success. Adenauer and De Gasperi very pleased at progress. They attribute success to improvement Bidault's attitude since Strasbourg meeting in March. [3]

2. Ministers decided that review of treaty should be entrusted to inter-governmental conference (of Foreign Ministers or their deputies) in Rome, June 12–30, and that De Gasperi as President should report on results of conference to 6 Foreign Ministers at The Hague July 11. This compromise was proposed by Bidault after lengthy discussion in which Van Zeeland and Benelux colleagues held out for full-scale diplomatic conference with no time-limit. Solution fully acceptable to supporters of present draft, who had feared indefinite delay in bringing project under consideration.

3. Role of parliamentarians in future work not settled. Ministers received on May 13 Von Brentano and leading members *ad hoc* assembly, who made impressive presentation. Proposal was made to associate assembly representatives in some manner with government work on statute. Van Zeeland, however, played down assembly's role and objected strongly to recognition of its continued existence after March 10. Final communiqué [4] ducked issue but there was general agreement some way should be found to use experience of principal authors of draft statute.

4. Question of other observers also raised by Van Zeeland's proposal to invite representatives of other Council of Europe member countries to participate in Rome meeting. Ministers finally agreed to admit Secretary General Council Europe as observer, with matter other observers to be settled at Rome conference itself. [5]

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[1] Repeated to Bonn, Rome, The Hague, Brussels, and Luxembourg.

[2] The Foreign Ministers of the six Schuman Plan countries met in Paris May 12–13. A more detailed report of these meetings was transmitted to the Department of State in despatch Coled D-60 from Paris, May 28. (740.00/5-2853)

[3] For information concerning this Mar. 9 meeting in Strasbourg, see Document 162.

[4] For the text of the final communiqué, see *Documents* (R.I.I.A.) for 1953, pp. 220–221.

[5] In telegram Coled 77 from Paris, May 19, Bruce pointed out that the question of foreign observers at the Rome conference would not be settled until the delegations convened in Rome on June 12 and that it was possible that the United States would

Continued

5. EPC supporters particularly pleased that communiqué contains first outright commitment 6 Foreign Ministers to creation of "European political community". Until now, only clear commitment was to create new institutions for EDC under Article 38 EDC Treaty.

Bidault joined Adenauer and De Gasperi in emphatic support of directly-elected assembly. Only Beyen took strong position on opposite side. Even Dutch objections were mostly technical and left distinct impression of readiness to compromise. Economic powers were briefly discussed on basis new Beyen paper of May 5; this and other questions of substance were held over for more detailed handling at June conference.

6. Although 5 Ministers were ready to sign EDC protocols, they deferred action at Adenauer's request until after Bundesrat action.

BRUCE

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not be invited to have an official representation. Bruce recommended that Stanley Cleveland be stationed in Rome on a full-time basis to report unofficially on these sessions, while Bruce would be available part of the time for consultation on an unaccredited basis because this was the desire of several participating countries. (740.00/5–1953)

No. 168

OEEC files, lot 56 D 217, "C/M (53) 11 through 22"

Minutes of the 212th Meeting of the Council of the Organization for European Economic Cooperation, Chateau de la Muette, Paris, May 15, 1953, 5 p.m. [1]

RESTRICTED

Present:

Sir Hugh Ellis-Rees (Chairman)	United Kingdom
Mr. Standenat	Austria
Mr. Denis	Belgium
Mr. Bartels	Denmark
Mr. Charpentier	France
Mr. Werkmeister	Germany
Mr. Christidis	Greece
Mr. Benediktsson	Iceland
Mr. Cremin	Ireland
Mr. Cattani (Chairman of the Executive Committee)	Italy

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[1] The minutes of this meeting were circulated as document C/M(53)11(Prov.), and were approved without amendment at the 215th meeting of the Council on June 12. Drafted on May 21.

Mr. Hommel	Luxembourg
Mr. Tjarda van Starkenborgh Stachouwer	Netherlands
Mr. Koht	Norway
Mr. Antunes	Portugal
Mr. von Sydow	Sweden
Mr. Bauer	Switzerland
Mr. Silvi Antonini	Trieste
Mr. Tiney	Turkey
Mr. Heeney	Canada
Mr. Draper	United States
Mr. Marjolin, Secretary-General	

Secretariat

Mr. Jacomet

[Here follows a summary of statements made by Sir Hugh Ellis-Rees, Robert Ernest Marjolin, and Attilio Cattani, thanking William H. Draper for his efforts as United States Special Representative in Europe upon his retirement which was accepted by President Eisenhower on May 11 and was effective on June 30.]

Mr. Draper said he was very much moved by the words which had been pronounced on the occasion of his departure.

This last year and a half had been not only the most interesting and pleasurable period of his life, but also the most constructive. The discussions which had taken place in the Council, the different documents which he had read and the information he had received on questions of trade, payments, the development of production, etc., which were the result of the work of the delegations and the Secretariat, had been of immense educational value to him. In this connection what had particularly impressed him was the practical nature of the solutions or the recommendations adopted. He was thinking in particular of the last meeting of the Council at Ministerial level, at which the United Kingdom and German Delegations had announced the measures of liberalisation of trade which they had decided to take.

The world was at present passing through a critical period. Immense collective progress had been made since the immediate post-war period, in spite of the fact that another threat was arising. It had to be recognised that despite rearmament, the change in the face of Europe in the past seven years had been really phenomenal.

The period was critical, however; it should be recalled in this connection that the dollar gap was not just a problem of those seven or eight years; it really went back twenty or thirty years. It probably had its roots in the fact that the United States represented a large market; in this market large capital accretions had developed, combined with the use of new inventions, new machinery and the opportunity of large scale production. Thus, for some thirty years, there has been a forging ahead on one side of the Atlantic, two world wars on the other, involving the loss of some of the best manpower and some of the best capital through war destruction. The European countries had thus been held back in this race for economic good health and an improved standard of living.

The time had now come to find a means to bridge this gap. In the United States a new Administration had come to power; it represented a party that historically had been favouring high tariffs. If, moreover, it was realised that this new team had not been in power for 20 years, the fact would certainly be appreciated that although they had not gone nearly so far as the members of the Council would wish, they had nevertheless adopted a definite position in numerous cases and this in itself was a kind of revolution which could not have been anticipated in all circumstances. The debate had now opened in the United States; many organisations had taken the international point of view of balancing exports and imports and avoiding the necessity either for American aid or for reduced trade. Others had raised their voices, quite naturally; a debate had to have two points of view. It was most probable that this debate would grow in meaning and clarity through this year and that the studies which Mr. Lewis Douglas and the Congressional and Citizens Committee had been asked to make would bring these points of view before the attention of the country and the Congress. It was not likely that these decisions would be made before next spring.

The dollar problem was at present as follows: the extraordinary dollar expenditure flowing to Europe came from three sources:

(1) military expenditure for the American troops in Europe, which was about $1,000 million per annum, and should continue at that rate for some time:

(2) the economic aid for defence support, which was now running at about the rate of $1,000 million per annum and would probably decline substantially over the next year or two and then disappear;

(3) expenditure for off-shore purchases, which were growing rapidly in the present year, and would probably be in the range of about $500 million in 1953. These sums would probably double in 1954, which would make up for the decline of economic aid.

The total of these three sources was approximately $2,500 million for 1953. In the course of 1954 this amount should be roughly the same; it should diminish in 1955.

The dollar gap of the Member countries which had been estimated in the Fourth Annual Report of the O.E.E.C. at about $3,000 million for 1952 (which was a little less if invisibles were included) seemed to have declined from July last to a rate of about $2,000 million per annum or maybe a little less. This tendency seemed to be borne out by the fact that, with extraordinary dollar expenditure in the range of about $2,500 million—reserves of Member countries were rising (at any rate this tendency had been observed in the last nine months) at a rate of about $500 million per annum.

Thus the dollar gap, which, five years ago, was in the range of $5 or $6,000 million, had come down to about $2,000 million. Moreover, in the two or three years ahead the amount of extraordinary expenditure should at least cover and even exceed this deficit. This was an opportunity which neither United States nor Member countries should lose, since it was only a short transitory period.

He was convinced that the debate on the other side of the Atlantic would give results, but he pointed out that everything the Organisation and Member countries could undertake, in particular in connection with trade and payments, would facilitate the solution of the dollar problem and encourage the United States to take the required measures on their side of the water.

In conclusion, Mr. Draper wished to state that he had particularly enjoyed his work in this Organisation and he would endeavour, whenever he could, to work towards the objectives of the O.E.E.C., which were so important to the future economic success and wellbeing, not only of Europe but of the world. He hoped that his own path and those of his colleagues in the Organisation would often cross in the future.

In conclusion, the Council adopted the following Resolution:

The Council

(99) expressed its appreciation of the valuable services Mr. Draper had rendered to the Organisation and its Member countries during his period of office as the United States Special Representative in Europe, and its regret at his departure, and extended its best wishes to him in his future activities.

The meeting rose at 5.45 p. m.

No. 169

Editorial Note

On April 28, Secretary Dulles sent a memorandum to President Eisenhower in which he noted that Jean Monnet would be in New York during the first week of June to receive an honorary degree from Columbia University. Dulles stated that Bruce suggested and he agreed that from the standpoint of the European unity movement, it would be an excellent idea to invite Monnet to Washington for several days as an official guest. A memorandum by Burnita O'Day, dated May 4, noted that the White House telephoned the Department of State to convey President Eisenhower's approval of Dulles' recommendation. (840.00/5–1453)

The invitation to Monnet was formally extended by Bruce with the recommendation that Monnet meet officially with the President, the Secretary of State, the Director of Mutual Security, the Secretary of the Treasury, and certain members of Congress. (Telegram Edcol 49 to Paris, May 15; 850.33/5–1553) The Department of State was officially informed in telegram Colux 1 from Luxembourg, May 19, that Monnet gladly accepted the invitation to visit Washington June 3–4. (850.33/5–1953) Since informal arrangements for Monnet's visit to Washington had been arranged earlier through the Department of State, the White House was able to issue a press release on May 12 announcing the official visit and explaining Monnet's role as one of the outstanding leaders of the European integration movement. For the text of this press release, see Department of State *Bulletin*, May 25, 1953, page 754.

No record was found of Monnet's meeting with President Eisenhower at the White House on the morning of June 3. For a summary of Monnet's meeting with representatives of the Departments of State and Treasury and the Mutual Security Agency on June 3, see the memorandum by Fuller of June 4, *infra*. For a record of the meeting on June 5 between representatives of the Mutual Security Agency and Department of State and five officials of the High Authority of the European Coal and Steel Community, see Document 171.

No. 170

PPS files, lot 64 D 563, "Europe, 1952–53"

Memorandum by Leon W. Fuller of the Policy Planning Staff to the Director of the Staff (Bowie)

RESTRICTED WASHINGTON, June 4, 1953.

Subject: Monnet's Views on European Union [1]

At a meeting yesterday at which representatives of the Department, Treasury, and MSA were present, Monsieur J. Monnet presented his views about the progress of European integration and the CSC in particular. He was accompanied by Franz Etzel and Dirk Spierenberg, both members of the High Authority.

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[1] For information concerning Monnet's visit to Washington June 3–4, see the editorial note, *supra*.

Monnet viewed with restrained optimism the progress made by CSC to date. He pointed out that the High Authority was now actually functioning as a supranational organ within its assigned jurisdiction. He gave as examples the fact that it now exercises taxing authority, that it makes daily decisions regarding the operation of the coal and steel industries, and that decisions are arrived at independently, although after consultation with the Council of Ministers. He and the other members indicated that a most valuable outcome of the CSC would be expanded production due to the single market and modernized techniques. Herr Etzel emphasized specially the contrast in the recent past between production rates of iron and steel in the countries of the Community as compared with those of the US and the Soviet Union, and the need of increased European production.

Monnet, upon questioning, expressed the view that the CSC was a pioneer effort, that supranational organization on a sector basis which, if successful, would probably lead to further endeavors in this direction. He cited the EDC as a similar effort in a different field. He pointed out that such ventures made democratic parliamentary control imperative so that agencies of this type would be subject in their operations to the will of the people, inasmuch as the respective governments exercise no real control over their operations. The EPC was mentioned as a step toward democratic control through federal organs. He felt that there was no urgency about further expansion at this time of the functions of the Community of Six and that progress would be surer if built upon the tested practicability of existing institutions.

Regarding the addition of new members to the Community, he was emphatic that the Community not only placed no barrier in the way of new accessions but was ready to welcome new members from the free area of Europe. He seemed specially concerned about Britain's relation to the Community. He remarked that although Britain at the present time was certainly not ready to sacrifice any of its sovereignty to join such a Community, it had shown great interest in the CSC and had sent representatives to Luxembourg to observe its operations. They had waited at first, he said, to "see if it would die," but were now assured that it would not. He hinted at the prospect of closer future association with or even full membership in the Community on the part of Britain.

No. 171

Bruce Mission files, lot 57 M 38, "U.S. Policy"

Memorandum of Conversation, Prepared by the Executive Secretariat of the Mutual Security Agency[1]

WASHINGTON, June 5, 1953.

Participants:	Jean Monnet, President, CSC High Authority	
	Franz Etzel, Vice President, CSC High Authority	
	Dirk Spierenburg, CSC High Authority	
	Mr. Uri, Chief, Economic Division, CSC	
	Mr. Wellensteyn, CSC	
	Mr. Rand	Mr. Coppock—CA/E
	Mr. Bellows—SRE	Mr. Hulley—ERS
	Mr. Craig—AD/S	Mr. Kaplan—ERS
	Mr. Hinrichs—AD/S	Mr. Bissell—MSA
	Mr. Whittet—IND	Mr. Moore (State)
	Mr. McNaron—IND	Miss Camp (State)
	Mr. Harlan—PTAD	Mr. Vernon (State)
	Mr. Hopkinson—AD/E	Mr. Boochever (State)
	Mr. Stettner—AD/E	

Mr. Rand said that the purpose of this discussion was to ask some questions about productivity in the European Coal Steel Community. Earlier discussions at the State Department had dealt with the need for new investment, but MSA officials were now interested in the High Authority's views on the possibility of a productivity program, and the role the High Authority might play in it.

M. Monnet emphasized that the CSC is, in itself, a productivity program. He agreed with Mr. Uri that the problem of productivity must be tackled on a broad scale, and that the first problem is the creation of an environment favorable to the changes which increased productivity requires: anti-trust legislation, modernization of mines and steel mills, improved housing, and increased use of electric power in the mines so as to conserve coking coal. Mr. Uri described the Schuman Plan program in terms of four features (1) provision of incentives for increased productivity through increased competition and the creation of a wide market; (2) providing investment to facilitate the means for competition and to increase and improve the means of production; (3) association of all people, especially the workers, in the benefits of productivity; and (4) readaptation clauses, which provide for a (a) grant aid to displaced workers to help them look for a new job, change their place of work, or get new training in another occupation and (b) loan aid to enterprises needing to modernize or convert. M. Monnet emphasized the particular importance for increased productivity of the readaptation aid to workers and producers, and of housing. Mr. Uri described the lack of adequate miners' housing as specifically diminishing production in the Ruhr, and in Belgium, and as delaying the opening of new mines in Lorraine and the North of France. A long-term housing program is also needed, he said, to attract new labor to the steel industry. He suggested that these basic obstacles must be overcome before a productivity program on the technical level can be undertaken.

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[1] The drafter of this memorandum of conversation was not identified in the source text. The memorandum was circulated to the participants as document SN/50 of June 10 along with a covering memorandum and a memorandum of conversation for the subsequent meeting on June 8 (see footnote 2 below). The meeting took place in the offices of the Mutual Security Agency.

In response to a question from Mr. Rand, M. Monnet said the community would welcome efforts to increase American private investment in Europe.

Mr. Bissell noted that there is little the U.S. can do to help with the housing problem, which is largely a matter of capital rather than the provision of technical assistance or additional machinery. He inquired, however, whether it was actually necessary that improved housing must precede other efforts to increase productivity.

M. Monnet agreed that improved housing is only a part of the problem. Productivity, he said, depends on many things: the general conditions, antitrust legislation and enforcement, and on housing. In the Ruhr, productivity can be helped largely by housing, modernization of existing pits, and the construction of electric power plants at the pits so as to release the coking coal now being used for power. He reiterated that the CSC's objective—which cannot be achieved without increased productivity—is to provide, through increased production and through increased availability of resources, some 20–25 million additional tons of coking coal over the next four years in order to (a) eliminate the present dollar imports of coking coal, which have been representing 20% of Europe's total dollar deficit and (b) provide coking coal for increased production of steel. To reach this goal, he said, progress must be made not only in increased productivity, but also in increasing production and increasing availability of coking coal.

The CSC, he said, will encourage productivity programs by encouraging, and to the extent funds are available, helping to finance, programs proposed by the industries. But he emphasized that development must be by the producers themselves.

Under the Treaty, the High Authority's mission is to encourage the general objective of productivity, modernization and investment; the High Authority's method will be to come before the

Council and discuss a proposed general program. These discussions can produce an understanding of the general trend, and of the possibilities of the market, he said, but the enterprises themselves must then draw their own conclusions on what action they will take. When the producers have proposals, for which they take responsibility, then the High Authority would decide whether to help finance projects aimed at more production and productivity.

In response to a question from Mr. Rand, M. Monnet stated that the goal of increasing the Community's steel production from the present 40–42 million to 50–52 million tons over the next five years is based on an expected 8 million tons increase in the Community's steel consumption over the next five years.

Mr. Rand asked whether there is an opportunity for technical assistance in the industries which depend on steel, in order to increase the demand for steel.

M. Monnet replied that the High Authority would be greatly interested. While the High Authority has no specific power in the field of steel consumption, he said, there are increasing indications that the consumers will be interested. He expected that, resulting from a forthcoming conference of steel users, the consumers will begin to seek the High Authority's cooperation. He would be especially interested, he said, in hearing what MSA would be willing to do in such a situation, and what kind of technical assistance could be offered.

Mr. Rand replied that the emphasis would be on the fabrication of steel, especially small steel fabrication. Mr. Craig noted that Europe lags far behind the U.S. in the use of flat rolled steel. Mr. Bellows indicated that there is great possibility for technical assistance in the field of product design; the need, he said, is to develop the production of small steel products such as wastebaskets, kitchen cabinets, toys, etc; there would be no need for further investment. A consulting service in market analysis, new product and design possibilities, would help to bring down the unit cost and hence increase the use of sheet metal.

M. Monnet agreed that there are many ways that European steel consumption could be increased without large investment. He said he now believed that the industry would welcome a move by the High Authority to take the initiative in this field, and that such a program would fall within the High Authority's functions. While it would be necessary to discuss the matter in Luxembourg first, he was anxious to take the initiative. He urged that some people from the U.S. visit Luxembourg to give the representatives there the benefit of discussions with Washington people. The question of market analysis, he said, is very interesting, and there is much knowledge that the CSC must acquire. He said he was most anxious to get some information on the type of program that might be proposed, because he expected the situation to move very rapidly in Europe, and that requests from the industry would soon be received. He proposed further discussions here on Monday, at which MSA might present some examples of what is proposed.

Mr. Rand agreed to arrange a further meeting for Monday,[2] and said that further conversations in Europe could be continued through Messrs. Bruce and Hughes.

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[2] On June 8 a meeting was held at the Mutual Security Agency of representatives of the Agency, the Department of State, and three officials of the High Authority (excluding Monnet) concerning a proposal by the Mutual Security Agency that the European Coal and Steel Community sponsor a marketing and technical consulting service. A memorandum of this conversation was circulated along with the one printed here as document SN/50 of June 10 (see footnote 1 above).

No. 172

Editorial Note

Following Jean Monnet's visit to Washington June 3–4, Robert R. Bowie, Director of the Policy Planning Staff, and Thruston B. Morton, Assistant Secretary of State for Congressional Relations, drafted a letter for the President's signature concerning the possibility of a loan for the European Coal and Steel Community from the United States. A copy of the draft letter, circulated to the Bureau of European Affairs, the Bureau of Economic Affairs, and the Office of European Regional Affairs on June 10, as well as the comments and suggested revisions from these bureaus and offices, are in file 840.00/6–1053.

On June 15, President Eisenhower signed the letter and sent one copy to Senator Alexander Wiley, Chairman of the Senate Committee on Foreign Relations, and another to Representative Robert B. Chiperfield, Chairman of the House Committee on Foreign Affairs. The text of this letter was also transmitted to Strasbourg, and repeated to Paris, in telegram 88, June 15. (740.00/6–1553) The following day, President Eisenhower received replies to his letter from Senator Wiley and Representative Chiperfield; the texts of the replies were also transmitted to Paris, and repeated to Strasbourg, in telegram Edcol 72, June 16. (740.00/6–1663) President Eisenhower made this exchange of correspondence public in a White House press release on June 17; for the text of this press release, see Department of State *Bulletin*, June 29, 1953, pages 927–929.

Upon his return to Luxembourg, Monnet reported to the Common Assembly on June 19 concerning his talks with President Eisenhower and Secretary of State Dulles and commented on the exchange of letters between the President and Senator Wiley and Representative Chiperfield. Monnet's remarks were summarized in telegram Colux 4 from Strasbourg, June 19. (850.33/6–1953) On July 9 Monnet and the High Authority sent telegrams to the Secretary of State thanking him, the President, and Congress for their expressions of support for the European Coal and Steel Community. For the texts of these telegrams, see Department of State *Bulletin*, July 27, 1953, pages 107–108.

No. 173

850.33/6–2253

The Director of the Office of European Regional Affairs (Moore) to the United States Representative to the European Coal and Steel Community (Bruce)

CONFIDENTIAL–INFORMAL
OFFICIAL AND PERSONAL

[WASHINGTON,] June 19, 1953.

DEAR DAVID: I want you to know exactly what happened with respect to the release of the exchange of letters on the possible loan to the CSC. [1] After we had received copies of the Committee replies and agreed with them that the exchange would be made public on Wednesday, I got Livie to raise the matter Tuesday morning in the Secretary's staff meeting. The Secretary agreed that the President should personally make a few remarks along the lines of the notes that I showed Monnet, a copy of which I am enclosing. The Secretary instructed McCardle to get in touch with Hagerty and make the necessary arrangements. After getting word of this from Livie, I sent all the necessary material down to McCardle's office right after the meeting. That afternoon when I was trying to clear Edcol 72 of June 16 [2] with McCardle I discovered that he had not yet done anything about the matter. I waited in his office while he talked to Hagerty on the telephone. Hagerty said that this was pretty late and that there was already a full schedule for the press conference the following morning; however, he asked McCardle to send in the documents and he said he would see what he could do. I then reported the status of the matter to Rod O'Connor and he said he would call Hagerty also to emphasize the Secretary's personal interest in this matter.

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[1] For information concerning the exchange of letters between President Eisenhower and Senator Wiley and Representative Chiperfield, see the editorial note, *supra*.

[2] Not printed, but see *ibid.*

The next morning McCardle's office notified me that the President would have a special press conference that afternoon on the CSC matter. This was the situation when I talked to you on the telephone. I later learned that the President had merely mentioned the exchange of letters in passing in his press conference in the morning and that Hagerty had done the talking at the conference to release the letters that afternoon.

The announcement got a rather poor play here, partly because of the circumstances, but in large part also because of the Korean and German developments the same day. Perhaps the effect was somewhat better in Europe. We made sure that the correspondents of the European wire services were notified.

I hope that Jean Monnet will understand that I personally did everything possible to ensure that his wishes with respect to the way this matter should be handled were carried out and I deeply regret that it did not come out exactly as he might have wished.[3]

Sincerely yours,

BEN T. MOORE

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[3] In a letter to Moore, dated June 22, Bruce stated that everyone, including Monnet, understood what happened and that the way this information was handled made very little difference because the publicity given to it in Europe was widespread and satisfactory. (850.33/6-2253)

No. 174

850.33/6-2353: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State[1]

PARIS, June 23, 1953—8 p. m.

Coled 112. Subject is coal and steel community. Joint meeting of consultative assembly of Council of Europe with Common Assembly of coal and steel community concluded yesterday.[2] Two dominant themes this special session were European unification and UK association. In addition, favorable mention made of US support CSC particularly as indicated in recent exchange of letters between President Eisenhower and Congressional leaders. [3]

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] On June 15, the Common Assembly of the European Coal and Steel Community began a series of meetings in Strasbourg to discuss the report of the High Authority on its activities in 1952-1953. Following a joint meeting of the Common Assembly with the Consultative Assembly of the Council of Europe on June 22, the Common Assembly concluded its sessions on June 23. Detailed reports concerning these meetings were transmitted to the Department of State in despatches Coled D-79 through Coled D-88, June 18-July 2, all of which are in file 850.33. The texts of several speeches by Monnet during these sessions are in Bruce Mission files, lot 57 M 38, "Monnet Speeches".

In unification debate French Gaullist Debre attacked idea of European community as reducing sovereign powers of nations. Negative attitude also taken by German Socialists. Speakers from all countries, e.g., Laffargue and Teitgen (France), Wigny, Motz and Dehousse (Belgium) and Merkatz (Germany) answered Debre's attack with strong statements in favor European unification.

British speakers advocated earliest UK association with CSC, asking High Authority to make proposals as to form and also asking various questions as to economic policies which coal-steel community would adopt. Monnet gave no precise answers to questions raised but promised High Authority would shortly submit to British concrete proposals for association.

Joint meeting expressed great appreciation of High Authority activities and strong support of CSC and loudly applauded speakers favoring European integration. Participants appeared sincerely impressed by successful operations of CSC and in general accepted idea that objectives this community are not only economic but also political.

Draft of resolutions on High Authority report to be voted by Common Assembly evening June 23, contains following paragraph:

> "The Assembly takes notice with satisfaction of the discussions which the High Authority had at Washington, welcomes warmly the declaration of the President of the United States according to the terms of which the uniting of Europe is a necessity for the peace and prosperity of Europeans and of the world, and the creation of the community is the most hopeful and constructive development so far toward an economic and political integration of Europe, and emphasizes that as a result of the exchange of letters between the American authorities, the relations between the United States and the new Europe, of which the European coal and steel community is the first concrete expression, are establishing themselves not on the basis of aid, but of cooperation."

BRUCE

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[3] For information concerning this exchange of correspondence, see Document 172.

No. 175

740.00/6-2353: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

SECRET PRIORITY PARIS, June 23, 1953—8 p. m.

Coled 113. 1. Very little was accomplished at meeting of Foreign Ministers yesterday. [2] Bidault make it absolutely clear that he could only express personal views and could not take any official engagements. He said he had been opposed to meeting, but that De Gasperi had insisted. Apparently Bidault remained aloof during most of discussion.

2. De Gasperi also seemed inclined to avoid any new positive decisions at this meeting. However, he opened with statement that he would be successful in forming government; that he would follow same policy; and with help of Monarchist Party, he hoped to ratify EDC treaty in October. Beyen said he expected second Chamber to ratify by July 21. No other comment was made on prospects of ratification.

3. Chancellor tried to obtain a communiqué or an agreed statement which would be mandate from 6-nations to Bermuda conference [3] giving them clear endorsement to continuation of present policies toward European integration and Germany. No opposition or hesitation with regard to these policies developed and in fact all Ministers expressed continued support by their governments, but Chancellor was unsuccessful in his effort to obtain an agreed statement of position. He did obtain agreement to a sentence to effect "German reunification and independence is in complete harmony with policy of European integration", but this was dropped from communiqué as unnecessarily argumentative. [4]

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[1] Repeated to London, Bonn, Rome, The Hague, Brussels, and Luxembourg.

[2] The Foreign Ministers of the six Schuman Plan countries met in Paris on June 22. At an earlier meeting in Paris May 12-13, they had agreed to hold their next meeting in Rome on June 12; however, the French requested a postponement which was accepted by the other participants according to telegram 5048 from Rome, June 9. (740.00/6-953) The Department of State was subsequently informed in telegram 5200 from Rome, June 19, that the six Foreign Ministers agreed to meet in Paris on June 22 to discuss future EPC plans and the general situation in Europe prior to the Bermuda Conference. (740.00/6-1953)

[3] For documentation concerning the Bermuda Conference, which was planned for June and then later delayed until Dec. 4-8, 1953, see vol. v, Part 2, pp. 1710 ff.

[4] For the text of the final communiqué, see *Documents* (R.I.I.A.) for 1953, p. 222.

4. Regarding The Hague telegram 1579, June 22, [5] Beyen emphasized that France could not represent views of other 5 nations at Bermuda conference even on questions relating to 6-nation community. He said his government wished to retain right to representations on every subject. Other Ministers agreed. Bidault said that in his present position he could not accept mandate anyway and that French representative at Bermuda would not seek to represent other nations. However, on questions of European unity and Germany, France would when necessary attempt to report and to interpret views expressed by 6 Foreign Ministers.

5. Chancellor was disappointed with meeting. According to Blankenhorn, Ministers seemed lacking in energy to act and day long exchange of speeches left vague and negative impression. Chancellor, however, found some encouragement in agreement fixing date of August 7 for Ministers' meeting in Baden Baden to continue work on treaty establishing political community. Delay was considered necessary because of Bermuda conference. No agreement could be reached authorizing preparation at working level prior to meeting of Ministers. Bidault apparently even tried to prevent agreement fixing next meeting. German delegation believes definite scheduling of meeting will be adequate to demonstrate to public continuity of present policies. Also, it seems generally accepted that Ministers must make decisions on certain principles before conference work on final treaty can usefully be undertaken.

6. No discussion was held on questions of observers from third countries, of participation by parliamentarians, of signature of EDC protocols or of procedures to be followed in work on political community treaty. Attendance at session was very closely limited and no secretariat was present to keep record of views expressed. We may have further comments after additional conversations with interested officials.

7. Because session did not adjourn until just before formal dinner it was not possible for De Gasperi to meet with me before his departure this morning for London. I may arrange with Ambassador Luce to visit Rome next week.

BRUCE

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[5] Not printed; it informed the Department of State that the Dutch opposed a suggestion which De Gasperi intended to make concerning the French representative at the Bermuda Conference serving as spokesman for all six Schuman Plan countries. (740.00/6–2253)

No. 176

740.00/8-1053: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

SECRET PARIS, August 10, 1953—4 p. m.

Coled 44. Restrict distribution to Chief of Mission. Re Coled 43, August 9. [2]

1. Ministers' [3] review of international situation was highlighted by Bidault's comments on Russian reply to three-power proposals on Germany. [4] Bidault apparently spoke in very scornful terms of those who hope for positive results from four-power talks with Russians. He insisted Russians have not changed their attitude and that reply in fact constitutes a rejection of three-power proposal for conference on Germany. Bidault, in commenting adversely on Russian reply, used many of the arguments used by Chancellor himself. According to Blankenhorn, Chancellor was very pleased with Bidault's statements, particularly Bidault's insistence that Western powers should continue to disclose Russian insincerity in further exchange of notes during coming months and to emphasize necessity of bringing about a solution for Germany within framework of European policy.

2. Chancellor's recent statements on using EDC as starting point for a European security system was not discussed. However, according to Blankenhorn, this suggestion of Chancellor's plus exchange of notes between three powers and Russians on Germany have created very favorable impression in Germany and have given Western powers the initiative vis-à-vis Russians. He expected that Chancellor would wish to develop this suggestion further.

3. There is general agreement that conference and communiqué have been a considerable propaganda success for Chancellor. German delegation is presenting conference as clear reaffirmation of common European policy of six ministers fully consistent with recent Washington declaration of three powers, and as contradiction of Russian attitude toward settlement of German problem. Torchlight demonstration by German Youth Movement, who de-

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[1] Repeated to London, Bonn, Rome, Brussels, The Hague, and Luxembourg.

[2] Not printed; it transmitted to the Department of State the full text in translation of the agreed communiqué issued by the six Foreign Ministers on Aug. 8. (740.00/8-953) For the text of the communiqué, see *Documents* (R.I.I.A.) for 1953, pp. 223-224.

[3] The Foreign Ministers of the six Schuman Plan countries met in Baden-Baden on Aug. 8.

[4] For documentation concerning the exchange of notes with the Soviet Union leading to the Berlin Conference, see vol. VII, Part 1, p. 169.

manded and received speeches from each of Foreign Ministers before dispersion, particularly useful public relations-wise. Germans are also using Bidault's highly critical analysis of Russian note as symbolic of Franco-German unity of views. Chancellor apparently plans publicize Bidault's lunch with him in Bonn today to contribute to this same end.

4. On substance of political community, conference was faced with nearly disastrous French position. Most of discussion held in drafting committee on communiqué. Hallstein proposed very positive communiqué which is being forwarded in separate cable.[5] French representatives rejected proposed draft outright and until four o'clock in the morning opposed firmly every positive suggestion made by Germans and other delegations. As expected French took position reported in Coled 42, August 6,[6] opposing any reference to a "European executive" or to "supranational functions" and insisting on emphasizing role of Council of Ministers in European institutions. French representatives stated they could agree to directly elected parliament and on having "the special authorities" of the coal and steel commmunity and the defense community report to this parliament. This was adequate in their view and no new executive structure was necessary. It was only after other five countries insisted on referring failure to agree on communiqué back to ministers that French representatives, apparently realizing they could not saddle French Government with responsibility for failure of conference, agreed to make any concessions. Resulting communiqué, cabled in Coled 43, was then forwarded to Ministers on August 8 for their consideration. Efforts were made to strengthen it in a number of respects but Bidault refused to budge from compromise accepted by the French representatives the previous evening.

5. The "good" Europeans are disturbed about communiqué, particularly, phrase "the community of sovereign states;" Blankenhorn also recognizes that, if European movement lost its supranational character, EDC could not be used by Chancellor as policy which grants generous peace with equality for Germany and simultaneously provides adequate guarantees against revival of German militarism.

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[5] This is a reference to telegram Coled 45 from Paris, Aug. 10, which transmitted a portion of a draft communiqué proposed by Hallstein. (740.00/8-1053)

[6] Not printed; it reported French opposition to certain principles in the draft communiqué. It also noted that the French Cabinet had expressed firm support for the policy of European integration, but that Bidault had retained complete liberty of action which made everyone uncertain as to what he would do during the conference. (740.5/8-653)

7. [*sic*] Taviani apparently an excellent chairman. He was not at all embarrassed by fact he did not represent real government. On several occasions he stated in strongest terms that a substantial majority existed in Italian Parliament for EDC and for European policy and that this European policy was a factor for unity in Italian politics and not a factor for disunity. However, Italian representatives in drafting communiqué were less firm than Taviani. They seem to be concerned about fear of creating that strong an impression of a Rome–Bonn axis on European questions against French. Italian Foreign Office may be uneasy about Bidault's remark to Ambassador Quaroni a week or two ago that "there seemed to be a direct telephone line from Bonn to Rome".

8. Van Zeeland was quite helpful. He made a strong statement about need to speed ratification of EDC and to push ahead on European policy, including political community. He did not actively support French in pressing for an active role for Council of Ministers and seemed willing to accept a supranational executive. He will, however, probably continue to stress requirement of unanimity in decisions by Council of Ministers on a number of questions. Dutch, who did not play an active role in conference, did insist on incorporating their two main preoccupations into communiqué: First, a statement of need for further economic integration; and second, limiting to "in principle" the Ministers agreement on directly elected parliament. According to Van Starkenbourgh, the words "in principle" mean direct elections are not necessarily immediate.

9. Chancellor proposed to conference that countries having observers at EDC conference should also have observers at conference for political community. Bidault began speech which would clearly have led into proposal that observers be invited from all Council of Europe countries. Chancellor and Taviani forestalled this proposal by once again deferring question to be settled through diplomatic channels or by deputies. Members of both German and Italian delegations believe French may try either to make suggestion of observers so ridiculous that none will attend, or to exclude US as non-European state. They expressed view US should make it very clear it wishes observe at these conferences. Blankenhorn in particular stressed that conference could not succeed unless we were present. He commented that French could not persist in their consistently obstructive attitude in presence of US and UK observers.

DILLON

No. 177

740.00/9–2253

Memorandum by William D. Fisher of the Office of Western European Affairs to the Deputy Assistant Secretary of State for European Affairs (Bonbright) [1]

SECRET [WASHINGTON,] September 22, 1953.

Subject: French Position at Rome EPC Meeting [2]

Confused is the word for the situation surrounding the position on the EPC to be taken by the French delegation. A virtual battle within the Laniel cabinet has been taking place for several days over the basic EPC–EDC–federation issue, with the five ex-Gaullist ministers strongly opposing any instructions to the Rome delegation that would allow progress towards a supranational EPC to be made, with Tietgen of the MRP spearheading the other side of the fight and with Bidault, also of the MRP, trying to effect some compromise, apparently without too much success. His line seems to be that the time for a showdown fight on the supranational community is not now, such a fight might hinder EDC ratification "by the end of the year", and might cause a definite split in the cabinet and bring on an earlier government crisis. He may also be thinking of Gaullist support for his candidacy for President.

Apparently the majority of the cabinet sided with Teitgen and did not accept Bidault's compromise, but this is not clear. The press has mentioned that the instructions to the Rome delegation are highly secret and today the ticker reports that Pierre Juin, State Secretary at the Presidency, left suddenly for Rome to meet with the French delegation; one could speculate, perhaps to alter their instructions. French press speculation speaks of some compromise whereby the French delegation would support European elections but would sidestep the issue of the character of the European executive or that French agreement would be conditional, based upon subsequent parliamentary approval. In any event, this will be a troublesome issue within the French cabinet and, if resolved with some compromise for the Rome meeting, will probably come up again for the October 20 Ministers Meeting in The Hague.

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[1] Copies were also sent to Knight, Moore, Fessenden, Nunley, and Galloway.

[2] The deputies of the Foreign Ministers of the six Schuman Plan countries met in Rome for a conference on the European Political Community, Sept. 22–Oct. 9. Telegraphic summaries of their meetings are in file 740.00. For information concerning the final report of the Rome Conference, see the memorandum by Sawyer and Camp, Oct. 13, *infra*.

No. 178

Camp files, lot 55 D 105, "EPC—1953"

Memorandum by Rosalind Sawyer and Miriam Camp of the Office of European Regional Affairs

CONFIDENTIAL [WASHINGTON,] October 13, 1953.

EUROPEAN POLITICAL COMMUNITY

The deputies of the Foreign Ministers of the Six countries have just concluded a meeting on the EPC which began September 22 in Rome. A report of the conference is being prepared for review by the Ministers who were originally scheduled to meet October 22 at The Hague but now probably will not meet before the middle of November. [1] The report from Rome will not only indicate the area of general agreement which has been reached, but will also highlight the differences so that the position of each government will be made clear on all essential aspects of the proposed Community.

We have not yet received either a full report on the conference nor the text of the conference report. According to the available information, however, the French position which prior to the meeting was reported to be very negative and directed toward the creation of an EPC which would tend to water down rather than strengthen the supranational aspects of the EDC and the CSC was modified during the course of the conference. The French have reportedly agreed to a directly elected People's Chamber and have modified, to some extent, their earlier position which was to give the Council of Ministers greater power at the expense of the Executive. We do not, however, know the final recommendations of the conference on this key question of the division of authority between a central executive and a Council of National Ministers.

There now appears to be general agreement on a directly elected Lower House and on some form of Upper House, although the relationship between the Upper House and the Council of Ministers is unresolved, as well as the relationship between the Executive and the Council of Ministers.

As in previous meetings, the Dutch continued to stress that any treaty to be acceptable to them must include a strong section on economic integration.

The German delegation was probably the most active in pushing for the Community and Hallstein believes the conference report although disappointing in some respects will not prejudice any fundamental aspects of the Community or jeopardize the supranational principle.

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[1] For a summary of the meeting at The Hague, which took place Nov. 26–28, see Document 183.

It appears unlikely that initially, at least, the EPC will be given powers additional to those already contained in the CSC and EDC treaties. [2]

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[2] A summary of the outstanding features of the Rome Conference report was transmitted to the Department of State in telegram Coled unnumbered from Paris, Oct. 15. (740.00/10-1553) An unofficial translation of the report was later sent to the Department in despatch Coled D-49 from Paris, Oct. 27, with the statement that although distribution of the report was strictly limited to the official representatives of the six participating countries, Embassy officials were provided a copy with the request that possession of the report be kept secret. (740.00/10-2753) For an analysis of the report, see Document 181.

No. 179

740.5/9-2853: Telegram

The Acting Secretary of State to the Office of the United States Representative to the European Coal and Steel Community, at Paris [1]

SECRET WASHINGTON, October 15, 1953—7:05 p. m.

Edcol 37. Ref: Coled 56 September 28, [2] Edcol 32 October 1, [3] Hague 340, Oct. 14. [4] In series of approaches to Department Dutch have stressed that they regard inclusion provisions for economic integration as condition their agreement to EPC and expressed concern over possibility US might urge Dutch abandon this position in interests French EDC ratification.

In recent call Foreign Minister Luns stated to Secretary that Dutch would go ahead to complete ratification of EDC. Dutch cannot envisage an EPC, however, without economic authority. Indicated further Dutch would feel cheated if US followed French view and favored creation of political authority without providing for economic integration. (Van Roijen had commented earlier to Merchant along similar lines.)

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[1] Drafted by Boochever and Fessenden, cleared with Spalding and Moore, and repeated to The Hague, Bonn, London, Brussels, Luxembourg, and Rome.

[2] Not printed; in it Bruce recommended, *inter alia*, that the Dutch retreat from their position that wide economic powers be granted to the proposed supranational executive of the European Political Community before they would approve of the treaty. (740.5/9-2853)

[3] Not printed; it stated that the Dutch should not jeopardize the European Political Community by being so insistent that economic powers be granted to the proposed executive. (740.5/9-2953)

[4] Not printed; it reported that the First Chamber of the Netherlands Parliament would give consideration to the bill for ratification of the European Defense Community on Oct. 27. (740.5/10-1453)

Secretary stated that EDC was well advanced, and indicated we could not start over again, even though might have been better to have begun original with economic integration. He expressed hope that neither French nor Dutch would insist too strongly on their respective political and economic positions.

First Secretary Netherlands Embassy has followed up with several calls, latest on October 14.[5] He stated First Chamber would begin consideration EDC October 27, and it was hoped ratification would be completed before end of year. Said Netherlands Government greatly concerned that French would make EDC ratification contingent on six-country governmental agreement on draft EPC Treaty, and feared they might suggest additional protocols. He said since Dutch confident German forces could be controlled through NATO link even without supranational EPC, agreement EPC not condition of Dutch EDC ratification. Stated firm position his Government, however, that could not agree to a draft EPC Treaty which did not provide for economic integration and common market. Dutch willing recognize long time might be required for effective economic integration, possible even 50 years. They would not object to lengthy time provision in EPC Treaty, provided all members committed themselves to slow, steady pace toward economic integration.

We are pleased to note possibility reported Hague's 340 that Government will urge First Chamber act without undue delay.

SMITH

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[5] No record of this conversation was found in Department of State files.

No. 180

Editorial Note

The 231st meeting of the Council of Ministers of the Organization for European Economic Cooperation took place in Paris October 29–30, at which the United States was represented by Harold E. Stassen, Director of the Foreign Operations Administration. For the text of the address which Stassen made to the Council of Ministers on October 29 concerning economic progress in Western Europe, see Department of State *Bulletin*, November 23, 1953, pages 718–721. The minutes of this meeting, which total 105 pages, are in OEEC files, lot 56 D 217, "C/M (53) 30".

No. 181

PPS files, lot 64 D 563, "Europe, 1952-53"

Memorandum by Rosalind Sawyer and Ruth H. Phillips of the Office of European Regional Affairs

CONFIDENTIAL [WASHINGTON,] November 20, 1953.

REPORT OF THE ROME CONFERENCE TO CONSIDER A EUROPEAN POLITICAL COMMUNITY

Background

The Rome Conference on the European Political Community,[1] which met from September 22 to October 9, represents the first genuine consideration of the Draft Treaty for a European Political Community by responsible Government officers. The Draft Treaty itself, which served as the frame of reference of the Conference, was the product of parliamentarians, approved in March 1953 by the *Ad Hoc* Assembly,[2] composed of the members of the Coal-Steel Community Assembly, supplemented by additional representatives of the CSC countries, and representatives from countries in the Council of Europe, not members of the CSC. Ministerial consideration of the Draft Treaty by the six CSC-EDC countries was initially scheduled to take place at Baden-Baden last August.[3] The Baden-Baden Conference, however, found the Ministers unprepared to examine the Draft Treaty, but agreement was reached on some general principles on the Political Community and a meeting of the Deputies of the Ministers of Foreign Affairs was scheduled in Rome. The purpose of the Rome Conference was to develop specific proposals for an EPC Treaty, to be reviewed by the Ministers at a Conference to be held in The Hague, beginning November 26.

Report of the Rome Conference and Prospects for The Hague Meeting

Although the Rome Report indicates large and significant areas of agreement among the six countries, the meeting also reveals widely divergent views on important issues requiring considerable further negotiation and reconciliation before the Community can come into existence. Moreover, the Conference was unable to discuss several significant questions, such as the control and authority of the Community in financial matters and foreign policy, for lack of agreement on some more fundamental issues. There has been no indication thus far that work has been going forward since the Rome meeting toward a resolution of the differences among countries, and, in the absence of such consideration by Governments it appears doubtful that The Hague meeting will result in substantial progress beyond that made at Rome. In addition, two major problems which have impeded more rapid movement toward the establishment of an EPC—a Saar agreement and the EDC ratification—still remain unsettled. Thus far, the French have refrained at meetings on the EPC from discussing the place of the Saar in the Community, but have made agreement on the principles of a Saar settlement a precondition to the establishment of the Political Community. In France and Belgium and probably other countries, the decisions on EDC and EPC are closely inter-related, since agreement on the principle of civilian parliamentary control of the European Army has become one of the basic conditions for support of the EDC.

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[1] Regarding the Rome Conference, see Document 178.

[2] For information concerning the meetings of the *Ad Hoc* Assembly in March 1953, see Document 161.

[3] For a summary of the Baden-Baden Conference, see Document 176.

Major Issues

From the report on the Rome Conference, three major issues emerge: the question of the establishment of a popularly elected European Parliament; the question of the supranationality of the executive, or the balance of power between the executive and the national ministers; and the scope of the Community's authority, that is, whether additional sovereign powers, mainly economic and foreign policy functions, in addition to those already established in the EDC and CSC, are to be ceded to the Community.

If agreement on these issues were ultimately to be reached at the level of the lowest common denominator as indicated by the Rome meeting, the following pattern would seem to emerge: a Political Community of the Six with powers limited to coal and steel and the European Army, plus some general economic objectives and goals, but no new authority in the economic field; the Community to be governed by a lower house directly elected, with representation generally weighted to reflect population; an Upper House, also elected, either by national Parliaments or in some other manner, with either equal representation for all countries or a weighted system or, alternatively, the Council of Ministers serving as the Upper House; a Council of National Ministers; and an Executive, perhaps appointed on a national basis, with supranational elements, the exact nature of which are as yet undetermined, probably collegial in character, in some way incorporating the Executives of the CSC and the EDC, with the addition of a new Executive; and a European Court. The Community would be guided by general economic and foreign policy objectives, looking toward the gradual development of a common market among the Six, but without a new grant of authority beyond the CSC and the EDC, transfer of sovereignty in additional areas to be obtained by virtue of new treaties. The Treaty on the European Political Community would have effect for 50 years. There was no discussion at the Rome meeting on the financial powers or institutions of the Community.

Despite some qualifications by the Dutch, the principle of a popularly elected Lower House appears to have been accepted. The other major issues, however, have not been satisfactorily clarified or solved. It is not clear from the Report on the Rome Conference to what extent the countries conceive of the Executive as genuinely supranational, although the latter term was widely used, what form the Executive would actually take and how it would operate, or the functions of the additional Executive member and the relation and effect of the new Executive on the existing CSC High Authority and the projected EDC Commissariat. The Conference started with the acceptance of the Ministers' Declaration at Baden-Baden last August that "there shall be created a community of sovereign states which in the interest of all shall exercise supranational functions defined by treaties in force or those which may result from subsequent treaties." Although the Report affirms at the outset that the Rome Conference based its work on the same idea, the effect of conclusions arrived at in Rome would appear to weaken the Executive and reduce the supranationality granted to the Political Community to less than that granted in the CSC and EDC Treaties.

Whereas we were concerned that the Executive, as provided in the Draft Treaty, might not be sufficiently independent and the Council of Ministers too powerful, the conclusions of the Rome Report appear to weaken the Executive even further, by tending to increase and enhance the role of the National Ministers. In the Draft Treaty, an Executive Council is provided, headed by a President designated by the Upper House and other members named by the President, all responsible to the legislature. The discussion at Rome indicates some movement away from even this degree of independence for the Executive, some Delegations taking the view that not only the President, but some of the other members of the Executive Council be appointed by the Council of Ministers.

The Draft Treaty provides the Council of Ministers with far-reaching and definite checks on both the Executive and Parliament which are actually more extensive than those granted in the CSC and EDC Treaties. Discussions at Rome seem to indicate some desire on the part of several controls for making the national and supranational elements co-equal, although the text is not clear on this point. Agreement was reached on "the maintenance of equilibrium between the supranational element and the national element." There is some indication that several countries (France, Belgium, and Luxembourg) may be clouding the concept of an Executive of a supranational character by mixing the Executive organ with national elements, reflected in proposals to incorporate the Council of Ministers as part of the Executive organ and to give equal weight to both Executive and National components. As the German and Italian Delegations appropriately noted, the national elements, such as the Council of Ministers, cannot constitute a branch of the Executive, but must be an institutional organ *sui generis*. The Netherlands reserved its position on this issue.

At a minimum, it would be desirable to seek a clear separation of the Executive and national elements, to guard against solutions which might have the effect of weakening the supranationality of the CSC and the EDC, and to ensure the establishment of a strong Executive, at least as independent as the Executive provided for in the Draft Treaty.

The other major unresolved problem on which additional negotiation will be required concerns the question of the transfer of powers by the Six in addition to those already ceded to the CSC and EDC. On this issue, the French appear to be isolated, holding out against a new grant of economic power to the Community, although agreeing on the need for providing the Community with new economic "tasks". The French delegation opposed giving the Community authority to enforce any of these new economic functions and was reluctant to concur in a timetable for the progressive implementation of common market goals to be specified in the Political Community Treaty. At the Conference the French dwelled on the difficulties impeding the establishment of a common market, stressed the need for "prudence" and the necessity for safeguards in laying the groundwork for further economic integration. Although several other countries also indicated specific interest in protecting certain segments of their economic structure, all the other Delegations held that the Political Community should be granted real economic powers and should not be limited to the powers already established by the CSC and EDC. Belgium and the Netherlands took the strongest positions among the countries favoring a new grant of economic authority to the Community.

If the French position prevails, it will be a retreat from the Draft Treaty, which empowers the Community to institute measures for a common market one year after the Treaty comes into force. In the Draft Treaty, these measures are to be initiated by the Executive and concurred in unanimously by the Council of Ministers.

Although a European Political Community establishing a popularly elected Assembly, and limited to the grant of powers provided for in the CSC and the EDC, would be an important achievement, it would only consolidate existing gains. A transfer of additional powers in the economic field, on the other hand, would give the new Community more content, providing a broader base than a military-heavy industry alignment, and make the Community dynamic by continuing the impetus and forward movement toward integration of the Community of Six. As indicated by the Rome Report, moreover, the assumption of new powers by the Community in the economic field would encourage and lead to the development of certain new powers, so far unspecified, in the field of foreign affairs.

Five of the Six appear to favor the transfer of powers in the economic field to the new Community. Although French reluctance to take this big step is understandable reflecting as it does the precarious French economic position, there may be some merit in attempting to seek a better solution than suggested by the French Delegation to the Rome meeting. Without additional authority the economic "tasks" suggested by the French are not a real contribution to the integration of the Six. To obviate the necessity for new Treaties to obtain additional economic powers for the Political Community and, at the same time to assure the French against precipitous action toward the common market, consideration might be given to a compromise involving a broad grant of authority for the establishment of a common market among the Six, with an initial transitional period during which time countries could exercise a veto power on the adoption of specific measures and avail themselves of certain safeguards established to protect countries in a sensitive economic situation from the full effects of the operation of the common market.

It should be noted that one important conclusion in the economic sphere was reached by the Rome Conference which should serve to clarify the course of further integration efforts. All countries agreed to adopt measures looking toward the establishment of a "generalized common market" rather than look to successive integration on a functional or sector basis. Along these lines, the Conference was in agreement in principle on the following points:

1. Quantitative restrictions between member states should be progressively reduced and ultimately suppressed;
2. Customs duties among the member states should be progressively reduced and ultimately abolished;
3. The necessary measures should be taken for the progressive establishment of a customs and exchange system with regard to third states. These measures should be favorable to the development of international exchanges.

Attached as an annex is a more detailed summary of the areas of agreement and disagreement reached at the Rome Conference.[4]

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[4] Not printed.

No. 182

740.00/11-2153: Telegram

The Secretary of State to the Office of the United States Representative to the European Coal and Steel Community, at Paris[1]

CONFIDENTIAL WASHINGTON, November 21, 1953—2:32 p.m.

Edcol 54. Our immediate and primary objective in relation forthcoming Hague EPC meeting[2] is sufficient agreement on EPC to permit ratification of the EDC. In addition, we would hope for results on certain points at issue in line with longer run US interests. Consider negotiations on EDC and EPC have reached stage at which US influence highly desirable to obtain basic objective, and favorable decision on question at issue. Toward this end, suggest Bruce personally attend Hague meeting.

1. As we read text Rome Conference on European Political Community Treaty, three major issues emerge: popular election of European parliament; supranationality or strength and independence of Executive; and content and scope of new Community. On first question, agreement appears to have been reached in principle for popularly elected Assembly despite Dutch reservation. View importance this principle for ratification EDC, would be highly desirable if Hague communiqué highlighted agreement on this issue.

2. On other two issues, countries hold widely divergent views, with some indication retrogression from Draft Treaty. (Following comments do not reflect whatever alteration in French views may be emerging from current Assembly debate.)

a. Re Executive, considerable confusion appears exist on composition, powers, strength, independence, and relation to Council of Ministers and to CSC and EDC Executives. Concerned here over proposals which mix national and supranational elements and tend toward making these two components equal. Some indication also that certain dels, notably French, appear favor appointment not only of President by Council of Ministers, as provided Draft Treaty, but desire selection other Executive members by Ministers, thus significantly diluting supranationality of Community. At a minimum would be desirable seek clear separation of Executive and national elements, guarding against solutions which would equate the two and which might not only detract from role of EPC Executive to be added to existing Executives, but which might also weaken CSC and EDC Executives. German and Luxembourg dels appeared alert to this problem at Rome meeting, coming out for clear distinction between Executive and national elements and for establishment of separate strong EPC Executive.

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[1] Drafted by Phillips and Boochever, cleared with Merchant, Fisher, Frank, and Moore, and repeated to Bonn, Brussels, Luxembourg, Rome, The Hague, and London.

[2] For a summary of the meeting at The Hague, which took place Nov. 26–28, see telegram 468 from The Hague, Nov. 28, *infra*.

3. With respect to economic powers of the EPC, it appears that all countries except France favor a transfer of authority to EPC going beyond that included in EDC or CSC. At other extreme from France is view of Dutch, who have indicated unwillingness agree to supranational EPC without inclusion such additional economic authority.

While our primary objective should be a sufficient agreement on EPC to permit ratification of EDC, there may be alternative bases for such agreement. If so, we should favor adoption of those which enhance the power of EPC to take action in achieving economic integration among its members—i.e., which avoid the necessity for additional treaties as a prerequisite for action on this front. Believe incorporation of economic powers would give Community possibilities for growth and development otherwise significantly lacking.

If agreement to be reached on vesting economic powers in EPC, assume it will require a degree of national control over the exercise these powers. Various procedures for insuring such control can be envisaged short of requirement of new treaties, and *Ad Hoc* Draft exemplifies some of principal lines in Article 83—i.e., (a) *delay* period before Community can exercise its economic powers; (b) interim period when action requires unanimous approval of Ministers, who may consult their Parliaments; (c) final period when action requires only approval of Ministers and EPC lower house by simple majority, but by ⅔ vote in Senate.

By varying the elements of national restraint in this proposal—the time period, and degree of unanimity required in EPC Parliament and Council of Ministers—a range of alternatives becomes available which would still give Community distinctive economic functions.

If economic powers continue to be stumbling block in reaching EPC agreement, would hope that these possibilities would be fully explored.

4. Essential that any insertion of US views into EPC discussion be consistent with and tend to promote overriding immediate objective of EDC ratification.

DULLES

No. 183

740.00/11-2853: Telegram

The Ambassador in the Netherlands (Matthews) to the Department of State [1]

CONFIDENTIAL THE HAGUE, November 28, 1953—2 p. m.

468. Subject is European Political Community-Ministers' meeting. [2]

1. Bidault's absence during first two days and uncertainty caused by confused French parliamentary situation have been mainly responsible for failure of Hague Ministers' meeting to produce significant new decisions. Communiqué [3] will announce ministerial approval of points already agreed by experts at Rome, and designation permanent conference of deputies to work on unsolved problems and begin drafting of actual EPC treaty. Only important new elements are Dutch agreement that EPC Assembly should be popularly elected from the beginning, and French agreement to an executive responsible to that Assembly.

2. Ministers strongly congratulated Van Zeeland at announcement during first meeting Thursday that Belgian chamber had just ratified EDC treaty by 3-to-1 all-party majority. Van Zeeland was clearly very pleased and throughout meeting impressed Germans and others with more positive attitude on EPC questions than at any previous time. De Staercke told us he considers chamber vote the beginning of bipartisan Belgian policy on European matters. He said Van Zeeland now seems genuinely anxious to keep Spaak's support on these questions and believes Van Zeeland will do his best to carry out commitment he gave Socialists to push ahead with political community.

3. Beyen provided surprise of meeting by proposing that discussion on political community and economic integration be postponed and that Ministers concentrate instead on modifying EDC treaty to

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[1] Repeated to Paris for Bruce, London, Bonn, Rome, Brussels, and Luxembourg.

[2] The Foreign Ministers of the six Schuman Plan countries met at The Hague, Nov. 26–28.

[3] For the text of the communiqué which was issued on Nov. 28, see *Documents* (R.I.I.A.) for 1953, pp. 224–225.

provide for more democratic control over European army. He received no support from other Ministers. Van Zeeland on two occasions strongly attacked his suggestions, stressing continued interest Belgians in economic integration, and importance of pushing ahead with political and economic unification with no backward steps. Others (including Parodi) either rejected or ignored Beyen's proposals, and after several unsuccessful attempts to revive them Beyen agreed to continue to consider contents of EPC treaty on basis of Rome report.

4. In making this proposal which would have changed entire direction of Ministers' work, Beyen apparently believed he would contribute to EDC ratification in France while maintaining intact for the record Dutch position on EPC. His suggestion was viewed with some alarm by other delegations. Belgians and Germans in particular told us they feared next step could easily be to suggest postponement EDC ratification until necessary changes in treaty made. They also suspect that in giving his strong support to this proposal in Dutch Cabinet, Premier Drees hoped to place effective block in road to political and economic unity on six country basis. Decision on which Beyen proposal based has already been attacked on these grounds by Mansholt in Dutch Cabinet and by Socialist group in second chamber.

5. It is not expected that Bidault's gesture in coming to The Hague for last meeting will have any effect on results of conference itself. He and Adenauer will, however, meet this afternoon on Saar problem.

MATTHEWS

No. 184

850.33/12-753

Memorandum by the Director of the Executive Secretariat (Scott) to the Acting Secretary of State [1]

WASHINGTON, December 7, 1953.

Subject: Position to be Taken on a Proposal for a U.S. Loan to the High Authority of the Coal and Steel Community

Discussion

Mr. Bonbright has written you a memorandum (Tab A) [2] in which he points out that the President wrote a letter to the Chairman of the Foreign Relations and Foreign Affairs Committees [3] stating that a loan to the Coal and Steel Community from the U.S. Government or one of its agencies would appear to be a secure and helpful move to foster European integration.

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[1] In the margin of the source text presumably the Acting Secretary initialed the space following the words "Approve this line of action."

[2] Not printed; the recommendations in Bonbright's 3-page memorandum, dated Dec. 5, are repeated verbatim in the numbered paragraphs below.

The High Authority of the Coal and Steel Community has informed us it would communicate a specific proposal to the U.S. and Mr. Bruce has informally obtained a draft of this proposal. A summary of the argument in the proposal is attached as Tab B. [4]

Recommendations:

Mr. Bonbright makes the following recommendations:

1. In accordance with the President's letter of June 15, 1953, the Department should support in principle the proposal for a loan of $500 million from the United States Government to the High Authority of the European Coal and Steel Community.
2. This loan should be in the form of a line of credit opened by the Treasury in favor of the High Authority, to be drawn over a four to five-year period. It should bear a reasonable rate of interest and be amortized over a long term.
3. The loan should be made under a special authorization to be requested from the Congress. It should be handled as a public debt transaction outside the budget, and thus not require appropriation of funds by the Congress.
4. The Department should discuss the proposal with Treasury and FOA early next week with a view to providing staff recommendations to the Secretary, Mr. Humphrey, and Governor Stassen prior to the Secretary's departure for Paris December 11. Agreement by the three principles then will permit the Secretary to inform Monnet when he sees him soon after his arrival in Paris.
5. Upon receipt of the High Authority's formal request, negotiations should be opened in Washington to work out the details.

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[3] See Document 172.

[4] Not attached to the source text.

No. 185

850.33/12-853

The Secretary of the Treasury (Humphrey) to the Secretary of State

WASHINGTON, December 8, 1953.

DEAR FOSTER: I have been handed a memorandum, [1] including a proposed draft of a possible letter from the European Coal and

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[1] Presumably a reference to Bonbright's memorandum, attached to the memorandum by Scott of Dec. 7, *supra*.

Steel Community to the United States Government, following up Mr. Monnet's discussion when here concerning a possible $400 or $500 million loan, which eliminates the World Bank as a possible source of the loan, and limits it to the United States Government sources. This means it would have to be a straight appropriation by the Congress.

I realize the lengths to which we have already gone in encouraging this thinking, but I also feel that we will be complicating our general budget picture by presenting some brand new program of this magnitude. This will be true, not only in Congress, but with the business world who, I believe, are going to strenuously object to our using their tax money to finance additional steel competition from abroad.

When Mr. Monnet was here he talked not about additional or improved steel capacity, but about the necessity for rehabilitation of their coal mines, and possibly something for their iron mines. This would involve no such sums as $400 or $500 million dollars, but this money could, of course, very easily be spent if the steel mills themselves were involved.

Again, let me say I fully realize how implicated we really are, but I think we should go very slowly in any further encouragement for the direct loan of any such sums, because of the great complications involved.

My best to you.

Sincerely,

GEORGE

No. 186

RA files, lot 58 D 374, "CSC Loan Negotiations"

Memorandum by the Deputy Director of the Office of European Regional Affairs (Palmer) to the Assistant Secretary of State for European Affairs (Merchant) [1]

RESTRICTED [WASHINGTON,] December 11, 1953.

Subject: Secretary Humphrey's letter on the CSC Loan.

1. Attached is the carbon of the letter of December 8, from Secretary Humphrey, [2] which we have heard about from the Treasury

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[1] Drafted by Boochever.

[2] *Supra.*

staff, and which has now been received officially. The letter is referred to in paragraph 8 of your memorandum to the Secretary of December 9, 1953.[3]

2. The action copy of Mr. Humphrey's letter is now in RA. In view of the prospective conversation on the loan between the two Secretaries on the plane,[4] we plan to postpone drafting a response until we learn of the outcome.

3. The following comments are intended to clarify or point up some of the issues raised in Secretary Humphrey's letter:

a. Secretary Humphrey states that the loan "would have to be a straight appropriation by the Congress." We have been advised by OFD that it would appear technically feasible to have the loan handled as a Treasury public-debt transaction, requiring authorization by Congress, but not appropriation. Mr. Humphrey may not have been aware of this possibility when he wrote the letter. On the other hand, he may have considered and rejected it—preferring for political or other reasons to have the loan subjected to the rigors of the appropriation process.

b. The letter states that $400–$500 million would not be required to rehabilitate the coal and iron mines. The Department has received unofficially an explanation of the CSC's estimates of investment requirements. They are based on the needs both to modernize and to expand production of coking coal, coke, and iron ore. The breakdown of the four-five-year requirements is as follows: (millions of dollars)

Coking coal production:	
Modernization, maintaining and increasing production	$580
Miners' housing	400
Power stations at the pit head	300
Coking capacity	300
Iron ore:	
Modernization and expansion of production	100
Preparation of ore	70
Total:	$1,750

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[3] Not printed; it recommended that the Secretary discuss the loan with Humphrey prior to their meeting with Monnet in Paris in order to first reach agreement on the size of the loan. They could then inform Monnet of the size of the loan which the Administration was prepared to support if suitably justified by the High Authority. (RA files, lot 58 D 374, "CSC Loan Negotiations")

[4] Presumably a reference to a scheduled meeting during the trip to Paris for the North Atlantic Council meetings planned for Dec. 14–16; no record of this Dulles-Humphrey conversation was found in Department of State files.

The figure of $400-$500 million represents only the portion of the investment funds which the HA hopes to obtain outside of Europe—i.e., in the U.S.

c. You will note that no sums are included in this total for the steel mills themselves, in answer to the question implicit in Mr. Humphrey's letter. On the other hand, the intention of the HA is clearly to facilitate an expansion of the steel production by removing the limitations that exist in terms of the availability and price of the basic materials. The HA's calculations are geared to the fundamental thesis that the Community must take an all-out effort to increase its steel production capacity to 50 million tons (compared with actual production of 42 million tons in 1952), in order to lay the basis for European economic expansion which would otherwise be hindered for lack of steel. The estimates of production increases in coal, coke, and iron ore production are those required in order to make possible the increase in steel production capacity.

Implicit in the calculation is the assumption that Europe should, through efficient production, be able to free itself from the need of importing coal and coke which must be paid for in dollars.

d. The U.S. has been strongly urging the Europeans, through the OEEC, to concentrate on expanding production, which generally leveled off in 1951 and 1952. Mr. Hauge personally developed this theme in Paris, and Mr. Stassen, at the October OEEC meeting stated "the necessity for economic expansion is a compelling one. This compulsion arises in some measure because of the continuing threat of aggression. . . . Of even greater importance is the necessity to meet the legitimate and reasonable expectations of all free peoples for rising living standards and a better life." [5]

e. Europe is still importing a substantial quantity of coking coal from the U.S.; although such imports have declined sharply over the past year, U.S. coal exporters, who are now complaining about Belgian and German restrictions on coal imports from the U.S., will undoubtedly be concerned about the use of U.S. funds to increase European coal production. Mr. Bruce, however, feels that opposition from this quarter to a loan will be less than might be anticipated.

The steel producers in the U.S. will also undoubtedly, as Mr. Humphrey noted, be concerned about the U.S. helping directly or indirectly to increase competition from abroad, with the greatest competition coming presumably in third markets. A letter to this effect has already been received by the Commerce Department from Inland Steel. There is, of course, considerable uneasiness about the prospective demand for steel, both in the U.S. and in Europe, where production in recent months has been 7-8% below the corresponding period of 1953.

f. Whatever the decision may be about the size of the loan which would be feasible or required from the U.S., it is clearly of importance to the free world to have additional European steel capacity in light of expanding Soviet bloc steel production. Any suggestion that the U.S. wished to discourage such expansion could have serious political repercussions.

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[5] Ellipsis in the source text. For information concerning the 231st meeting of the Council of Ministers of the OEEC, Oct. 29-30, see Document 180.

g. Mr. Humphrey's letter recognizes that the U.S. Government is heavily committed to a loan, as a result of the President's public exchange of views with the Congress.

No. 187

Bruce Mission files, lot 57 M 38, "U.S. Aid"

Draft Memorandum of Conversations [1]

[PARIS, December 15, 1953.]

Participants: Mr. Dulles, Secretary of State
Mr. Humphrey, Secretary of the Treasury
Mr. Stassen, Foreign Operations Administrator
Mr. Burgess, Special Deputy to the Secretary of the Treasury
Mr. Hunter, U.S. Treasury Representative (USRO)
Mr. Jean Monnet, President of the High Authority of the European Coal and Steel Community
Mr. Daum, Member of the High Authority
Mr. Salewski, Director of Investment of the High Authority
Mr. Guyot, Director of Finance of the High Authority

In the course of the conversations, Mr. Monnet outlined the general activities of the High Authority and discussed the problems now being encountered in its operations, particularly as a result of the effects which the creation of the common market is now having on the coal and steel industries. He referred to the migration of a number of coal miners from central France to the Lorraine basin, the situation on the steel market, the coal cartel problem, and the question of British association.

He stated that his main interest in the present conversations, however, was to obtain reactions to the High Authority's draft letter concerning a possible United States loan, that Mr. Bruce had taken back to Washington two weeks ago. [2] He explained that the letter embodied the present thinking of the High Authority on the basis of investment studies undertaken following his visit to the United States and the publication of the President's letter. Mr. Monnet said that the High Authority did not wish to transmit the letter officially to the United States Government and thereby formally request a loan until it had been ascertained that the proposals were acceptable to the United States.

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[1] This draft memorandum summarizes several conversations held in Paris, Dec. 13-15, between the listed participants. Dulles, Humphrey, Stassen, and their advisers were in Paris to attend the North Atlantic Council meetings on Dec. 14-16. No separate record of Monnet's meeting with Dulles on Dec. 13 was found in Department of State files, although this composite record briefly notes that Dulles attended that meeting but was absent from any subsequent meetings. A record of Monnet's meeting with Humphrey and Stassen on Dec. 15, which is included in this summary, is in Bruce Mission files, lot 57 M 38, "U.S. Aid".

[2] For information concerning this draft letter, see Document 184.

Mr. Humphrey replied that the High Authority's request came at a difficult time, since the United States budgetary situation was now very tight. He said that he would prefer not to have to ask Congress for the funds, but if such a step did prove necessary in the final analysis, it was probable that Congress would want to include the loan funds under the FOA appropriations for economic aid.

Mr. Monnet said that the High Authority was hoping to obtain a United States loan in the neighborhood of $500 million. Mr. Humphrey replied that the problem would be simpler if the amount were smaller, and added that he had understood that the High Authority was thinking of a figure somewhere between $400 million and $500 million. This was confirmed by Mr. Monnet.

(Secretary Dulles was present at only the first meeting on December 13 and was obliged to leave early. In a conversation with Mr. Monnet prior to the arrival of Mr. Humphrey and Mr. Stassen, Mr. Dulles had also remarked that he thought $500 million was more than could be obtained from the United States.)

Mr. Humphrey expressed doubt that the High Authority could use the full amount of the loan for investments in the coal industry. Mr. Monnet replied that the High Authority was prepared to demonstrate that $400 million could be used over a period of four to five years and was a reasonable figure on the basis of the scope of the Community's investment program and the availability of capital on European markets. He added that the needs of the coking coal, coal and iron ore industries, which form the basis of the High Authority's loan request, constituted only part of the total investment requirements of the Community. Requirements are much larger when account is taken of the needs of the steel industry.

Mr. Humphrey then stated that he wanted to be perfectly frank on one point that worried him considerably. He said that the United States Administration was already having difficulties with the coal industry and the coal miners, and could expect strong opposition from them to any loan to the CSC. The Administration did not want also to attract the opposition of the steel industry. There was a widespread feeling in the United States, he said, that it was incorrect to make use of the taxpayer's money to help competitors or potential competitors. For that reason, said Mr. Humphrey, care would have to be taken to ensure that none of the loan funds are used to finance investments in the steel industry.

Mr. Monnet replied that it is not the intention of the High Authority to use the loan proceeds for investments in the steel industry. He said that he had told the steel industry, and the German industry in particular, that upon obtaining its loan from the United States the High Authority could be counted on to assist only to the point of perhaps guaranteeing whatever loans the steel industry might be able to obtain, especially from the World Bank.

Mr. Humphrey then pointed out that it was not possible to dissociate coking facilities from the steel industry. In reply, Mr. Monnet, seconded by Mr. Daum, described the special situation existing in Europe by explaining that most of the cokeries in the Community are located near the coal mines and belong to the mining firms, instead of being located near and owned by the steel plants as is generally the case in the United States. The gas produced by the coking plants, to the extent that it is not reused in the same ovens, is generally piped into the industrial gas network for sale to the processing industries and to domestic consumers. It is often piped long distances; for example, from Lorraine to Paris, or from the Ruhr to Berlin.

Mr. Humphrey said that he would like to discuss certain technical aspects of the investment projects that the High Authority plans to help finance. Mr. Daum then described the main lines of the proposed investment program for the coal industry, stressing the concentration of mines and the mechanization of installations; the construction or the modernization of electric power plants; housing—considered indispensable for promoting an increase in productivity and, in some cases, in production; and investment in coking plants.

In answer to a question of Mr. Humphrey, Mr. Daum stated that the proposed investment projects studied by the High Authority would affect about three fourths of the total production of the Community. Mr. Humphrey then asked a number of questions concerning workers' housing. The question of ownership of housing arose, and Mr. Humphrey indicated that he did not favor ownership by the companies, since experience has shown that such a system could sometimes cause additional difficulties in relations between labor and management. Reference was here made by the High Authority representatives to present efforts to work out methods in most of the countries of the Community to provide for mixed cooperatives (for housing construction), on which labor and management as well as local authorities were represented. It was also stated that the High Authority looks favorably on the principle of extension of ownership of housing to the worker.

Mr. Humphrey inquired if the total amount of investment foreseen as realistic from the point of view of the possibilities and capacity of the industry of the Community. He was informed that present investment plans are directed toward urgent solution of a certain number of problems important for the future of the common market, and that the High Authority's estimates were not of substantially greater amounts than actual investments realized in recent years.

In answer to further questioning by Mr. Humphrey, it was stressed that the High Authority has not drawn up and does not intend to draw up an investment program per se. The High Authority has only proceeded to estimate major investment requirements on the basis of information furnished by the firms themselves. Whatever loans the High Authority might grant to the firms would be used solely to finance investment projects decided upon by the firms.

Mr. Humphrey asked how the High Authority planned to conduct its lending operations. Mr. Monnet replied that loans would be made to individual companies purely on a business basis after study of the commercial and financial soundness of each firm and its plans for obtaining financing from other sources. He added that the High Authority planned to lend a company only part of the funds necessary for its investment financing; the balance would have to be procured through self-financing or from sources other than the High Authority. In answer to a question of Mr. Stassen, Mr. Monnet indicated that the High Authority would probably ask the firms to pay interest on loans at a rate slightly higher than the interest rate of the United States loan to the High Authority.

Mr. Humphrey inquired what form of security the High Authority would demand in exchange for its loans; for instance, would the High Authority ask firms to pledge assets as security for their borrowing? Mr. Monnet said that the High Authority could take bonds of the companies, but had no intention of accepting stocks or in any way participating in private enterprises. Discussion of this point was unsettled, though it appears to have been Mr. Monnet's intention to make clear that the High Authority was not prepared to pledge the assets of the borrowing firms to the United States as security for the United States loan to the High Authority.

At one point Mr. Humphrey asked Mr. Monnet how long a duration he envisaged for the loan. Mr. Monnet replied that the High Authority would prefer that it be as long as possible. Mr. Burgess then remarked that loans for coal equipment generally did not extend over ten to fifteen years, and the subject was dropped there.

Mr. Humphrey said that among the problems raised by the loan was the fact that, as he understood it, the High Authority wanted to borrow local currencies instead of dollars. Mr. Monnet agreed and explained that it would be more convenient for the High Authority to have only to repay in local currencies and not incur a dollar obligation. However, it was prepared to accept a dollar loan and make the necessary foreign exchange arrangements with the CSC member Governments. In answer to questioning by Mr. Burgess, Mr. Monnet said that to the best of his knowledge the High Authority's investment plans revealed no dollar needs.

Mr. Humphrey stated that under the circumstances perhaps a loan from the World Bank might prove to be the best solution. Mr. Monnet disagreed, arguing that 1) it would be impossible to obtain the required approval of the Governments of the six CSC member States for such a loan, and 2) this would defeat the desired purpose of demonstrating continued United States support for an integrated Europe. Mr. Humphrey stated that he would like to investigate further the possibility of lending the High Authority local currencies instead of dollars. Mr. Burgess inquired if Mr. Monnet thought that the World Bank would be left out of the picture entirely. Mr. Monnet then repeated his earlier remarks to the effect that once the High Authority has obtained its loan from the United States for the coal and iron ore industries, it would consider how it could assist the steel industry of the Community to obtain funds for investment financing from the World Bank.

Mr. Humphrey raised the question of whether it would be advisable to take a decision on the loan to the High Authority before the EDC had been voted, inasmuch as failure of the EDC could perhaps lead the United States to revise its European policy. Mr. Stassen disagreed with this approach, stating that in his opinion it would be wiser to move ahead with the loan operation and perhaps by that means improve the chances for success of the EDC.

Mr. Monnet said that he agreed wholeheartedly with both Mr. Humphrey's and Mr. Stassen's views and then proposed what he thought would be a means of overcoming such problems. He suggested that perhaps the United States Government could in the very near future announce that it will ask Congress to approve a loan to the Coal and Steel Community of a certain amount, with terms and conditions to be determined by subsequent negotiation. He added that this method would meet the need for reaffirmation of United States support of the European Community and would go far toward inciting the British to move ahead with plans for association with the Community. (He said that Guy Mollet had assured him that concrete results on British association would make a difference of at least 20 votes for the EDC Treaty in the French Parliament.)

At this point Mr. Monnet stressed that for political purposes the size of the loan was all-important; whereas a smaller loan would, of course, still be interesting as a business proposition, a loan in the order of $400 million was necessary to give full political significance to United States recognition of the new prospects for economic development opened by the European Community. (Mr. Monnet was not consistent as regards the specific amount of the loan, and on a different occasion cited the figure of $500 million in support of the same line of argumentation as above.)

Mr. Monnet said that the negotiation of the terms and conditions of the loan would require some time, with the result that a final decision would probably not have to be taken by the United States Government until the situation was clearer as regards the future of the EDC and the European integration program in general. In the meantime, however, the United States Government would have taken a rapid administrative decision to secure the necessary lending authority for the proper amount, and the full political impact of that decision would have had its effect in Europe, he said.

Mr. Monnet then asked when the proposed letter from the High Authority should be transmitted officially to the United States Government. Mr. Humphrey replied that he fully understood the facts of the problem as far as the High Authority was concerned, but thought that the best solution would be to leave the United States Government free to decide the appropriate time for official transmittal of the request. This would give the United States the necessary time to study the question, and particularly to ascertain the availability of the funds and the desired conditions of reimbursement. Mr. Humphrey concluded that such a study would require perhaps two to three weeks.

No. 188

RA files, lot 58 D 374, "CSC—UK Association, 1954-55"

Memorandum by the Officer in Charge of Economic Organization Affairs (Camp) to the Assistant Director for Policy and Planning, Office of the Director of the Foreign Operations Administration (Gordon) [1]

CONFIDENTIAL [LONDON,] December 18, 1953.

Subject: Situation in the common market of the European Coal and Steel Community.

Apart from the problem of British association, which was covered in the despatch to the Department, [2] there are three matters on which the High Authority should take action within the next few weeks and which I therefore also discussed, in general terms, in Luxembourg. The first, and probably most important, is the problem of cartels, both the cartels within the common market and the export cartel, but particularly the former. The second, and related problem, is that of prices. The third is the proposed loan negotiations with the United States. The first two problems have already been let run too long.

Cartels. The High Authority has, as yet, made no strong move against the powerful coal and steel cartels known to be operating within the Community, one of the most flagrant of which is the South German coal marketing cartel. The cartel issue has recently been thrust into the foreground by the publicity surrounding the export cartel formed last spring by the six countries and the fact that the United States Government is generally known to have made representations to the six governments urging the disbanding of the cartel. The question of the action to be taken on the export cartel will be before the Council of Ministers on December 21, but it seems unlikely that either the High Authority or the Council of Ministers will feel action at this time is desirable. Although the "liberal" members of the High Authority (Monnet, Etzel and Spierenburg) are clearly opposed to the export cartel, they have an understandable reluctance to proceed on what they regard as a wobbly legal case prior to taking action on those domestic cartels which are explicitly outlawed by the Treaty. They fear that if an appeal from a decision against the export cartel were to be made to the court, the court might well find that the High Authority had exceeded its jurisdiction and that such a finding would be looked upon as a victory for the cartels and would set back action for many years. It seems very unlikely, therefore, that the High Authority and the Council will do more than postpone the issue of the export cartel with, at best, some statement which re-inforces their dislike of it.

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[1] A covering letter to Moore enclosed a copy of this memorandum to Lincoln Gordon and indicated that it had been prepared following a 2-day visit to Luxembourg. Copies were also sent to Tomlinson, Eisenberg, Leddy, and Hulley. The covering letter and the enclosure were sent from the Embassy in London, where Camp apparently stopped following her trip to the High Authority in Luxembourg.

[2] This is a reference to despatch 2189 from London, Dec. 17, which included a lengthy analysis of the question of British association with the European Coal and Steel Community. (850.33/12-1753)

It seems to me that the unfortunate effect of this action could be largely mitigated if simultaneously the High Authority would move, as it should in any case, on a few of the most flagrant domestic cartels. During the discussion with Spierenburg, he indicated his awareness of the need for early action in this field. Both he and, somewhat surprisingly, members of the British delegation, felt the cartel problem had not been attacked as vigorously as it should have been by the High Authority and shared our view that unless early and vigorous action were taken, the cartels would succeed in undermining the prestige of the High Authority.

Prices. Directly related to the problem of cartels is the current price situation within the Community. At the time of the opening of the common market for coal, maximum prices, by basin, were set by the High Authority. Since that time all coal has been selling at the maximum prices which are, at least in some cases, above the price of United States coal delivered, and stocks are now accumulating within the Community, particularly in Belgium and France. There would appear to be a fairly clear case for eliminating the maximum prices and seeing what happened. It seems probable that prices would fall. However, I gather from talking with Mr. Vinck, the Belgian director of the coal section, that the High Authority has already decided that it will not tamper with the price of coal until the winter is over. The coal price schedules have to be reviewed before the first of April and it seems probable that at that time the High Authority will experiment with free prices. Whether or not this results in any real competition will depend on what action is taken in the interim about the coal cartels. If, when maximum prices are removed, the price of coking coal were to go up, it seems probable that the High Authority would intervene and roll the price back to the present maximum. One of the great preoccupations within the Authority is the desire to reduce steel costs. The investment program for coal lays particular emphasis on the need to reduce the cost of coking coal to the steel industry and it seems unlikely that the High Authority would let any real increase in price take place.

With the opening of the common market for steel, the High Authority did not set maximum prices, as in the case of coal, but decreed that there should be published prices and a rule of nondiscrimination. The combined effect of these regulations and the existence of the steel cartels has been that the published prices have not been changed but that steel is being in fact sold below the published prices with the real competition coming on freight rates, special services, etc. Prices are, therefore, discriminatory as well as competitive. The pricing policies resorted to by the steel producers clearly violate the Treaty. However, the High Authority, given its existing regulations, does not wish to rule against the various methods by which steel is being sold at a discount, since the result would be to support the published prices of the steel producers which it feels are too high and should be lowered. At the present time the High Authority is giving thought to revising its regulations and permitting prices to fluctuate within X percent of the published prices, with the added provision that if during a specific period of time Y percent of the sales are made at a price lower than the published price, the lower price automatically becomes the published price.

U.S. Loan. I did not discuss in any great detail the negotiations for a United States loan since I did not want to cross wires with any discussions which may be going on between Mr. Bruce and Mr. Monnet. However, in a conversation with the director of the finance division of the High Authority, M. Guyot, I did explore, in general terms, the type of investment policy which the High Authority has in mind. In brief, the High Authority and, I believe, the Council of Ministers have approved a broad statement of principles to govern investment. The principal objective is to lower the cost of steel. This will be done by modernizing and re-equipping the steel mills and by seeking to raise productivity in the coal and iron ore mines. The emphasis in steel is clearly on cost reduction rather than on an expansion of production although a modest expansion is foreseen (50 million tons in 1957 as compared with an annual production of approximately 42 million tons in 1952). It is interesting and perhaps revealing that although they are said to have been arrived at independently, the High Authority's estimate of need in 1957 corresponds almost exactly with the production increases already planned in the steel industries.

There is much more emphasis on the need for increased production in coal, particularly coking coal, and again great emphasis is placed on the need for more efficient production and lowering of costs. The target for 1957 is 285 million tons as compared with production in 1952 of approximately 239 million tons.

No. 189

RA files, lot 58 D 374, "CSC—UK Association, 1954–55"

The Deputy United States Representative to the European Coal and Steel Community (Tomlinson) to the Director of the Office of European Regional Affairs (Moore) [1]

LUXEMBOURG, December 22, 1953.

Subject: CSC–UK Association

DEAR BEN: Yesterday, Monnet was under pressure, both in the Council of Ministers' meeting and by the Political Committee of the Common Assembly, on the question of the association between the CSC and U.K. Both groups were sympathetic to the idea but irritated about the delay. Monnet explained that this action was delayed because the policies of the High Authority had not been far enough advanced. As an example, he used the difficulties encountered in defining a policy for implementation of Article 60 (rules on competition and non-discrimination in the common market). He gave only a broad outline of his intentions with regard to the negotiations and said that on Friday of this week he would hand Sir Cecil Weir a letter outlining the proposals of the High Authority. Copies of the letter handed to Sir Cecil would be circulated to the governments of the member countries in the first days of the coming week, that is, immediately after Christmas. [2] The substance of his statement was to be considered confidential.

As you know, Chancellor Adenauer fully supports Monnet's plans to help EDC ratification by a public announcement on the opening of negotiations between the U.S. and the CSC on a loan, and between the CSC and the U.K. Government on British association. This announcement should be made before the Common Assembly meeting convenes on January 14, 1954. Apparently Louvel is also sympathetic to this plan.

In any case, at the meeting of the Council of Ministers, Monnet met opposition only from the Luxembourg Minister Rasquin. The latter objected to the initiation of negotiations with the U.K., arguing that under the provisions of Section 14 of the Convention, commercial policy matters are within the responsibility of the Governments of the member States. The Council took note of the fact that it had been advised by Monnet of his intention to submit proposals to the U.K. Government. It reserved its position under Section 14 until the actual proposals are forwarded to the Governments.

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[1] Signed for Tomlinson by Eisenberg; a copy was also sent to Bowie.

[2] A translation of the letter from Monnet to Weir was sent to Moore as an enclosure to a letter from Cleveland, Jan. 6. (RA files, lot 58 D 374, "CSC—UK Association, 1954–55")

Monnet will let us have a copy of the final text for transmission to Washington when it is handed to the ministers of the member countries. In the latest draft, appropriate emphasis now seems to be placed on the three points we discussed with you, namely:

—the purpose is to eliminate restrictions and to expand international trade;
—obligations of the High Authority and the member countries under the CSC Treaty to further the development of international trade and to protect the interests of third countries;
—obligations of the CSC and U.K. to observe the principles and procedures of GATT.

In the draft letter there are still two formulations which might give the impression that the CSC and the U.K. would act as a bloc in their trade relations with third countries. One is a clause to the effect that the association should examine in what manner and to what extent the joint arrangements might be open for accession by third countries. This might be considered as implying that specific conditions will be worked out for the accession of a third country, rather than letting them join at equal terms. The second is a clause calling for application on third markets of the rules governing trade between the CSC and U.K. markets. This implies some degree of joint action in commercial policy matters and in export policies. The language used in two further clauses of minor importance is also not too happy. In defining the objectives of the association with regard to elimination of restrictions on trade, the draft uses different language when referring to coal and to steel. The differentiation might be interpreted as reflecting different policies. Finally, the draft speaks separately of "consumption" and "exports" when defining the subject of joint studies concerning future developments. This wording might be considered to reflect the idea of possible joint export action.

The points outlined above were brought to Monnet's attention but I have the impression that he has gone about as far as he can and that his colleagues in the High Authority may insist on leaving the letter unchanged.

Monnet still believes that it may be necessary for the U.S., after we have agreed to open negotiations with the CSC on a loan, to say a word to the U.K. regarding the opening of negotiations on association. However, he is no longer suggesting that his letter must be accepted by the U.K. as basis for negotiations but that they agree to open the negotiations with the CSC and receive the letter as a CSC proposal, leaving the U.K. free to make its own proposals. This approach makes it much easier for us to suggest to the British that they open negotiations in order to facilitate EDC ratification because we will not need to give any approval whatsoever to the substance of Monnet's letter. Just as the six member Governments have reserved their position on the substance of the offer, so we can reserve ours.

Sincerely,

WILLIAM M. TOMLINSON

No. 190

850.33/12-3053: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

CONFIDENTIAL PARIS, December 30, 1953—11 a. m.

Coled 121. Subject is CSC. Monnet has transmitted to Sir Cecil Weir letter proposing that negotiations be opened between High Authority and Government of United Kingdom concerning UK association with coal and steel community. [2] Letter, of which we hope to obtain copy shortly, suggests establishment of joint institutions to supervise attempt to eliminate restrictions on trade in coal and steel in interest of development of international trade and in manner consistent with obligations of states concerned under GATT.

Monnet considers agreement by British to open negotiation on association of great political importance as demonstration British interest in continental integration and determination to be associated with it. Such agreement would have particularly strong political impact on continent if it could be obtained prior to meeting of CSC common assembly in Strasbourg January 14, when this matter will be a major subject of discussion.

I concur in Monnet's judgment of political importance this question in relation to integration movement in general and EDC ratification in particular. Consider anything that might be done in above regard also of great importance psychologically. I should recommend that if at all possible Department should take occasion to urge British to announce willingness to open negotiations, making clear of course that we do not necessarily support Monnet's specific proposals which are in any case preliminary. We could do this with good grace by pointing to US intention to support and assist the coal and steel community as expressed in the President's recent statement. [3]

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[1] Repeated to London, Rome, Brussels, The Hague, Luxembourg, and Bonn.

[2] For information concerning the text of this letter, see footnote 2, *supra*.

BRUCE

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[3] According to telegram Colux 14 from Luxembourg, Jan. 7, the British Delegation to the European Coal and Steel Community informed U.S. officials that the British Government would not reply to Monnet's offer of negotiations before the end of January. The delay was caused by the unwillingness of the British Steel Board to approve the initiation of negotiations without some preliminary discussions with the High Authority concerning the nature of future cooperation; the Steel Board seemed to fear that the industry of the Coal and Steel Community might in the long run seriously compete on the British market. (850.33/1-754)

No. 191

RA files, lot 58 D 374, "CSC Loan Negotiations"

The Director of the Foreign Operations Administration (Stassen) to the Secretary of State

WASHINGTON, January 5, 1954.

DEAR FOSTER: You will recall the background of the President's conference with Jean Monnet of the European Coal and Steel Community on June 3, 1953, and his subsequent letter of June 15. [1]

The follow-up conferences with Mr. Monnet in Paris during the NATO meetings [2] lead me to make the recommendation reflected in the attached memorandum.

I would appreciate your preliminary comments prior to firming up the proposal for the President's action.

Sincerely,

HAROLD E. STASSEN

[Enclosure 1]

Draft Memorandum to the President From the Director of the Foreign Operations Administration (Stassen)

You will recall your conference with Mr. Jean Monnet of the European Coal and Steel Community of June 3, 1953, and your subsequent letter of June 15, and the favorable response of the Congressional committees in the matter of a loan to the Coal and Steel Community.

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[1] For information concerning Monnet's visit to Washington June 3-4, and the exchange of correspondence between President Eisenhower and Senator Wiley and Representative Chiperfield concerning Monnet's visit, see Documents 169 and 172.

[2] Concerning these conversations in Paris, Dec. 13-15, see Document 187.

Subsequent conferences were held in Paris with Mr. Monnet during the period of the NATO meetings by the Secretary of State, the Secretary of the Treasury, and myself.

There is legal authority under the present legislation for making such a loan and I estimate that we will have a sufficient amount of local European currencies to fund a loan of $100 million.

The total request for the Coal and Steel Community was for $400 million over a period of four years, but I do not believe this large a loan will be needed or should be made.

It is my judgment that this will be a good loan and that it should have the security of the assignment of the subsidiary loans to individual coal mines and other facilities.

The funds will be used for the improvement of coal mines, power plants, and coke plants, all of which will strengthen the base of the Western European economy, improve its capability to finance its own defense, and the entire project will encourage the essential move toward European integration, which is highly desirable as a part of your basic policy.

This recommendation is concurred in by the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, and the Director of the Bureau of the Budget.

[Enclosure 2]

Draft Memorandum for the Director of the Foreign Operations Administration (Stassen)

Upon the recommendation of the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, and the Director of the Bureau of the Budget, in addition to your own recommendation, you are directed to proceed with the necessary arrangements to make a loan to the European Coal and Steel Community in the amount of $100 million.

The loan is to be long-term and is to be made in European currencies held by the United States with the transfer of the appropriate number of dollars from the obligational authority of the Mutual Security Program to the Treasury of the United States.

The terms of the loan and the provision for re-payment in European currencies are to be approved by the Secretary of the Treasury.

You will also proceed to analyze the question of additional extension of credit in the next three years and upon the concurrence of the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, and the Director of the Bureau of the Budget, you will take up the question of such additional extensions of credit with the Congress during this session.

You will notify the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, and the Director of the Bureau of the Budget, of this decision.

No. 192

840.00/1-954

The Secretary of State to the Director of the Foreign Operations Administration (Stassen) [1]

[WASHINGTON,] January 9, 1954.

DEAR HAROLD: Regarding the loan to the European Coal and Steel Community, I am sure you are well aware of the strong political reasons underlying my desire to proceed with a loan in an amount adequate to have a substantial impact on European opinion. At this time, we plan to eliminate economic aid to the six countries of the CSC on a bilateral basis, we are debarred by the Richards amendment from giving military aid to EDC countries, [2] and we have pointed out the further dire consequences likely to result from a failure to proceed with the EDC. It is vitally important therefore to make clear that we intend to provide strong support for effective action toward European union, such as the CSC represents. I am convinced that appropriate publicity following upon a decision of the United States Government to enter into negotiations with Monnet and the High Authority concerning this loan can have a significant favorable effect on EDC ratification if the terms are such as to capture European imagination.

Monnet has told us repeatedly that he believes anything less than $400 million will not be adequate for this purpose. While this may be overstating somewhat the requirements of the situation, I feel that the figure of $100 million mentioned in your proposed memorandum would not by itself produce the desired result.

We have promised Monnet to provide him with an answer, if at all possible, in time for him to present it to his Assembly which meets on January 14th. Since there still remain a number of points to be worked out and the time is short, I suggest that you and

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[1] Drafted by Moore; a copy was sent to Secretary of the Treasury Humphrey.

[2] Concerning the Richards Amendment, see the editorial note in vol. v, Part 1, p. 973.

George Humphrey meet with me as soon as possible to settle this matter.[3]

Sincerely,

JOHN FOSTER DULLES

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[3] Apparently the recommended meeting between Dulles, Stassen, and Humphrey never occurred, but a consensus was reached after numerous telephone conversations. For a summary of these developments, see Document 197.

No. 193

840.00/1-1254

Memorandum by the Director of the Foreign Operations Administration (Stassen) to the Secretary of State[1]

CONFIDENTIAL WASHINGTON, January 12, 1954.

Subject: The Next Step in OEEC for Facilitating Trade and Payments Between the EPU Area and the Dollar Area

1. The March meeting of OEEC[2] will consider future trade and payments relationship within EPU and with the dollar area.

2. It is in the national interest of the United States that the action then taken by OEEC should serve the following objectives:

a. Draw the economies of Western Europe into increased cooperation and integration with each other.
b. Avoid economic splits in Western Europe.
c. Facilitate trade and payments between Western European countries.
d. Facilitate trade and payments between Western Europe and the dollar area.
e. Move toward general convertibility of currencies.
f. Prevent conditions which would call for large United States aid or credit.
g. Improve Western Europe's productivity, standard of living, and defense effort on its own resources.

3. It is suggested that these objectives would be served by the following steps:

a. Establish a limited convertibility between the OEEC area as a whole and as a unit with the dollar area through an Atlantic

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[1] Copies were also sent to the Secretary of the Treasury, the Secretary of Defense, the Director of the Bureau of the Budget, and the Chairman of the Board of Governors of the Federal Reserve System. Subsequently circulated to members of the National Advisory Council on Feb. 2, as Document No. 1581. (NAC files, lot 60 D 137, "NAC Documents")

[2] This discussion did not take place in the OEEC Council until its 251st meeting in Paris May 5–6; minutes of this meeting, totaling 123 pages, are in OEEC files, lot 56 D 217, "C/M (54) 15".

Clearing Committee. Special representation would be arranged for the United Kingdom on account of the sterling area problems.

b. Revise EPU to provide for consolidation of long-standing debts, and for their repayment over a reasonable (e.g., three to five years) period.

c. Renew EPU for three years with a new line of intra-European credit, with a review of exchange rates and financial and trade policies as a condition for such renewal. As an essential factor of renewal, it would be necessary to work out special programs of financial and trade reforms including revaluation in France supported if necessary by stabilization credits from EPU or other sources.

d. In the renewal, grant to the EPU managing board new authority to recommend revaluation and other appropriate steps whenever a member reached a certain point in either debtor or creditor position with a proviso that all members could discriminate against the debtor or creditor if the recommended revaluation is not carried out. Failure by a member to follow managing board recommendations would entail the right for other members to withhold trade and credit benefits, which had previously been mandatory for members, so as to encourage joint development of satisfactory corrective programs.

e. Establish a reasonably uniform Western European policy for trade and payments with the dollar area and for successive steps to liberalize dollar imports to Western Europe. Such programs and policies would be reviewed with the United States and Canada as members of the Atlantic Clearing Committee, in order to assure that action will be neither too restricted nor too liberal.

f. In connection with the Atlantic Clearing Committee, and for the purpose of promoting liberalization toward the dollar area, establish a modest line of credit for the EPU area as a whole, if appropriate, through a policy of Federal Reserve Bank discount purchase of EPU credits under certain circumstances.

4. It is suggested that such a program would take advantage of the creditor position of Germany, Switzerland, Sweden, Portugal, Belgium, and The Netherlands in establishing a total EPU-dollar limited convertibility.

a. It would avoid the divisive effects which are certain to follow upon a deutschmark or guilder convertibility without franc or sterling convertibility.

b. It would be a controllable conservative move toward general convertibility without the grave risks of other methods.

c. Cartelized industries in individual European countries would be gradually subjected to the competition of dollar goods on a Europe-wide liberalization program.

d. A much needed European influence on European rates of exchange would be established.

e. Sterling would be strengthened by the indirect strength of Western Europe through EPU and world trade would be facilitated.

f. Capital movements and investment attractiveness would be facilitated without undue risk.

5. Mr. Walter Ringer of the Foreign Operations Administration is available for staff discussions with the Departments concerned.[3]

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[3] For a record of the meeting between Department of State representatives and Foreign Operations Administration officials, which occurred on Feb. 13, see Document 201.

No. 194

850.33/1-1354

Memorandum by the Acting Director of the Foreign Operations Administration (Rand) to the Secretary of State[1]

CONFIDENTIAL WASHINGTON, January 13, 1954.

Subject: U.S. Loan to the European Coal and Steel Community

In amplification of our recent letter[2] on a United States loan to the European Coal and Steel Community, we request your concurrence on principle at this time to this loan. Prompt agreement will permit Ambassador Bruce to advise Mr. Monnet of the favorable U.S. decision including the amount of the loan in advance of Thursday's (January 14) special meeting of the Common Assembly in Strasbourg to review the CSC investment program.[3]

The loan would include the following main features:

(1) $100 million would be set aside from the obligational authority of the Mutual Security Program, entirely or principally from the FY 1954 appropriation (probably requiring Presidential approval of a transfer from military to economic aid funds); though possibly also from the FY 1955 appropriation, depending on other programming and timing considerations.

(2) The loan to the Community would be made at U.S. option either in dollars or local currency with repayment in the same. Thus insofar as the U.S. Treasury has local currencies for this purpose they would be used, but insofar as none is available, the Community would be obligated to repay in dollars. Local currency loans would have a guarantee against exchange depreciation.

(3) With regard to the use of local European currencies for any loans to the Coal and Steel Community, the Treasury is using local

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[1] Copies were also sent to the Secretary of the Treasury, Secretary of Defense, and Director of the Bureau of the Budget. Attached to the source text was a draft press release announcing the proposed $100 million loan and a copy of a letter from the Bureau of the Budget, dated Jan. 14, approving the proposal for a $100 million loan. The Executive Secretariat also attached a memorandum, dated Jan. 20, which indicated that Rand's memorandum, although dated Jan. 13 and requesting action by Jan. 14, was not received in the Department of State until Jan. 18.

[2] This is a reference to Document 191.

[3] For information concerning the Extraordinary Session of the Common Assembly, which met in Strasbourg Jan. 14–17, see the editorial note, *infra*.

currencies accruing to our account for all U.S. Government expenditures as rapidly as possible. Based on present estimates, local currency accruals in general will not be sufficient to cover regular expenditures for U.S. agencies plus loans to the Coal and Steel Community. It is not recommended that local currencies be held exclusively for Coal and Steel Community as this course would result in maintaining a long position in currencies which may be devalued.

(4) The loan would depend on U.S. agreement with the CSC on general principles and policies, such as over-all directives of investment, operating and integration policies, as well as approval of individual projects.

(5) Security for the loan would be based partly on prospective CSC tax revenues (estimated at $50 million annually of which $30 million will be available to guarantee CSC financial commitments), and perhaps on the assignment of subsidiary CSC loans.

(6) Loan terms and the provision for repayment are to be approved by the National Advisory Council.

Finally, we propose that the question of additional extension of credit in the next three years be analyzed by FOA, and that upon the concurrence of the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, and the Director of the Bureau of the Budget and the approval of the President the subject be taken up with the Congress during this season.

No. 195

Editorial Note

An Extraordinary Session of the Common Assembly of the European Coal and Steel Community met in Strasbourg, January 14–17, 1954, to discuss the investment policies of the High Authority. In executive committee meetings, Monnet informed the members of the progress of the negotiations with the United States concerning a loan and told them of the difficulties encountered. In the plenary sessions, the loan negotiations were only briefly mentioned. A summary of this session of the Common Assembly was transmitted to the Department of State in telegram Colux 15, January 18 (850.33/1–1854); a more detailed report was sent to the Department in despatch Coled D–76 from Luxembourg, January 21. (850.33/1–2154) The text of Monnet's address at the opening meeting of the Extraordinary Session on January 14 is in Bruce Mission files, lot 57 M 38, "Monnet Speeches".

No. 196

850.33/1-2654: Telegram

The Deputy United States Representative to the European Coal and Steel Community (Tomlinson) to the Office of the United States High Commissioner for Germany, at Berlin [1]

CONFIDENTIAL PARIS, January 26, 1954—4 p. m.

168. HICOG Berlin distribution as determined by Bruce. [2]

1. Following letter received today from Monnet:

Begin text. Before you left for Berlin to see Secretary Dulles, I acquainted you with some of the points which my colleagues and I would like to have clarified in the proposal submitted to me in Strasbourg by Mr. Tomlinson on behalf of your government and some of the difficulties which we have found with that proposal. I thought it would be useful to confirm by means of the attached *aide-mémoire* the views I expressed orally to you before your departure. *End text.*

2. Attached *aide-mémoire* reads as follows:

Begin text. In June 1953 President Eisenhower, in an exchange of letters with the chairmen of the Foreign Relations Committee of the United States Senate and the Foreign Affairs Committee of the House of Representatives, suggested that a loan of funds by the United States Government or one of its agencies, to assist in a portion of the financing of the development program of the European Coal and Steel Community, "would foster European integration in a tangible and useful way".

Following this exchange of letters, officials of the High Authority of the community and the United States Government have engaged in a preliminary exchange of opinions in order to give practical effect to these views. This exchange led to the proposal submitted to the High Authority by Mr. Tomlinson in Strasbourg. The High Authority is still giving study to this proposal, but my colleagues and I wish to inform you of some of the facts which the High Authority feels are important in this consideration and some of the points upon which it wishes clarification.

The institutions of the community are now effectively established. The authority and the sphere of sovereignty of the High Authority are recognized. The single market is functioning. Now the High Authority must turn its principal attention to the problems of investments. The High Authority from the beginning has been aware of its responsibility under the treaty for increasing the financial resources accessible to the enterprises of the community.

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[1] Repeated for information to the Department of State as telegram Coled 136, with the instruction that distribution within the Department be determined by the Under Secretary of State.

[2] Tomlinson sent this telegram to Bruce who was in Berlin for consultation with Dulles. Dulles was in Berlin to attend the Berlin Conference.

One of its first acts was to establish the basis of its own financial capacity. On January 1, 1953, it began to levy a tax on the production of the community, in accordance with the powers given it by the treaty. That tax has been regularly and successfully collected; today the dependability of this permanent source of income is established.

The total annual receipt from this levy may be estimated at the equivalent of approximately $50 million. Of this amount at least $30 million are available annually to guarantee financial commitments assumed by the High Authority. The High Authority will use the funds which it borrows to lend directly to the enterprises or to guarantee loans of the enterprises. The substantial interest income the High Authority will thus receive from its loans will add to the borrowing capacity based on its annual tax income.

The High Authority considers it of first importance to increase its operating funds as much as possible in the first critical years of the community's existence. First, this is the period when, as the first governing institution of integrated Europe, the High Authority must demonstrate its capacity to contribute to the resolution of Europe's problems. Second, it is during the period of adjustment to the single market that new financing is urgently needed by the industries of the community and that the way should be prepared to obtain in the future additional financing on more reasonable terms from the European capital markets.

Thus, the intent of the High Authority is to borrow in the immediate future the maximum amount possible on the basis of a reasonable estimate of its capacity to repay, and then to use the funds obtained to help the industries with their financing, to bring about better conditions in the capital markets of Europe, and otherwise to carry out the objectives of the treaty. Because of the continuing inadequacy of savings in European capital markets, for reasons well-known to the United States Government, the High Authority wishes to utilize a considerable part of its borrowing capacity to obtain credits outside the community.

It is in the light of the above considerations that the High Authority has thought in terms of a loan from the United States Government in the range of $400 million to be repaid with interest over a long enough period to permit a reasonable rate of amortization. My colleagues and I believe that an amount of this magnitude would be in line with the High Authority's capacity to repay and would be consistent with the scope of the problem before it.

The High Authority again wishes to emphasize that the relationship between the United States and the new Europe must not be on the basis of donor and receiver. The High Authority is not asking for aid. It is proposing consideration of a loan to be secured by real resources accruing to it in its capacity as the first supranational institution of the new Europe.

It does not appear possible for the High Authority to consider the suggestion in the proposal from your government that the United States Government might conduct a project-by-project review in the use of the loan funds. Such a suggestion would appear to be inconsistent with the necessary independence of the High Authority in its administration and, moreover, might be the cause of considerable misunderstanding and thus be detrimental to relations between the United States and the community.

In administering the proceeds of the loan, the role of the High Authority will be that of an informed and prudent lender. It will assure itself that the projects submitted to it constitute sound financial investments for enterprises operating within the competitive conditions of the common market, that the proceeds will be properly applied and that the prospective earnings of the enterprise support the expectation of amortization over a reasonable period. The High Authority would not, however, be obligated, nor would it wish to direct the investment activities of the enterprises. The enterprises will retain full initiative and responsibility for the development and execution of their investment projects.

In its lending activities, the High Authority will also be guided by the necessity to use financing powers to help re-awaken the capital markets of Europe so that industries can obtain local financing at lower rates of interest and with longer amortization periods than are now the rule.

The community must prove by the material benefits it can offer to the European people that a unified Europe can provide a better way of life than the present separate national states. It must demonstrate beyond question that free competition maintained throughout the territory of the community by a government of supranational powers can breathe new vigor into the industrial heart of Europe. This is a test not only of the federal idea but of the determination and vitality of the European people. *End text.*

TOMLINSON

No. 197

850.33/2-554

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Acting Secretary of State [1]

SECRET [WASHINGTON,] February 4, 1954.

Subject: U.S. Loan to the European Coal and Steel Community.

This memorandum is to keep you informed of the latest developments on the proposed loan to the European Coal and Steel Community.

On January 13, following various telephone conversations among Mr. Stassen and Mr. Rand of FOA, Secretary Dulles, Mr. Kyes, Mr. Humphrey, and Mr. Dodge, a message (Tab A [2]) was sent to M.

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[1] Drafted by Boochever.

[2] Tab A, telegram Edcol 79 to Luxembourg, Jan. 13, was not attached to the source text. This telegram transmitted the text of a proposed press release by the Department of State concerning the loan to the European Coal and Steel Communi-

Continued

Monnet in response to his request for a loan of $400–500 million. This message proposed an announcement by the Secretary of State that the U.S. is prepared to loan to the High Authority over the next two years $100 million from FOA funds to aid in the financing of selected raw material projects of the Community. The announcement was also to state that President would make recommendations to the Congress in respect to additional financing as the Community develops its plans.

The proposed announcement was unacceptable to M. Monnet, as indicated in his letter and *aide-mémoire* to Mr. Bruce (Tab B [3]), the chief points at issue being the amount of the loan and the nature of U.S. review over the High Authority's use of the loan funds. Monnet regards a loan of $400 million as the minimum needed to strengthen the position of the High Authority in the initial years of its operation as the first supranational European institution, and to encourage European capital to loan to the High Authority on reasonable terms. Although not mentioned in his *aide-mémoire*, we know that both he and Mr. Bruce regard a loan of this magnitude as of great importance in strengthening European support for the EDC and regaining momentum towards a political federation of Europe.

The second point which M. Monnet takes exception to is the possibility that the U.S. might require a project-by-project review of the use of the loan funds. Monnet feels very strongly that such a review is incompatible with the necessary independence of the High Authority, and would adversely affect its relations with the U.S. Although EUR had not interpreted the proposed announcement as indicating that such a review was contemplated by the U.S. and would strongly have opposed it, we have subsequently learned from a memo of Mr. Rand to Mr. Dulles and others that Mr. Rand did intend for us to exercise this kind of supervision. It is understood that Mr. Stassen, however, has recently indicated his own opposition to project-by-project review, and it is hoped that inter-agency agreement can soon be reached that such review is not a condition of the loan.

A final question to be resolved is the source of the funds for the loan. FOA had intended to use $100 million of the FY 1954 obligational authority of the Mutual Security Program, which would have required Presidential approval of a transfer from military funds to economic aid. Mr. Kyes has now retracted Defense Depart-

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ty. The text of the press release, which had not yet received all the necessary clearances by Jan. 13, had been drafted by the Foreign Operations Administration and sent to the Department of State as an enclosure to Document 191.

[3] Tab B was not attached to the source text, but for text of Monnet's letter and the *aide-mémoire*, see telegram 168 from Paris, *supra*.

ment approval of such a transfer, which it is asserted would cut into the program for end-item deliveries to Europe. A second possibility is to request Congress to authorize Treasury to make the loan as a public debt transaction—i.e., not requiring an appropriation—but Mr. Humphrey is understood to be very much opposed to this, presumably because such a transaction would raise the total U.S. debt and would also affect the U.S. cash deficit as the loan is drawn. A third possibility, which is opposed by the Bureau of the Budget, and presumably also by Mr. Humphrey, is to request Congress for a straight authorization and appropriation of funds in the amount of the loan.

M. Monnet will discuss the loan with the Secretary in Berlin on Sunday, February 7.[4] Before attempting to resolve the question of the amount of the loan and the related question of the source of funds, we hope to secure any further views which the Secretary may have following his meeting with M. Monnet.

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[4] For a summary of this meeting, see telegram Dulte 60 from Berlin, Feb. 10, *infra.*

No. 198

850.33/2–1054: Telegram

The Secretary of State to the Department of State [1]

TOP SECRET PRIORITY BERLIN, February 10, 1954—noon.

Dulte 60. For Acting Secretary, please pass Wilson, Humphrey, Stassen, from Secretary. Have been conferring here with Monnet as to how to give some reality to President's letter of June 16 [*15*] [2] and communiqué of December 23 [3] regarding advances to coal and steel community. Believe effort should be made to reinstate availability of [$]100 million payable half our present and next fiscal year, but all within calendar year, but that actual form of announcement should await negotiations which would give atmosphere conducive to United States support of coal and steel community. This community under serious attack here by enemies of EDC and European unity, and believe that some evidence of United States support along lines of President's prior communications is important at this time.

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[1] Dulles was in Berlin to attend the meetings of the Berlin Conference.

[2] For information concerning the exchange of correspondence between President Eisenhower and Senator Wiley and Representative Chiperfield concerning Monnet's visit and the possibility of a loan for the European Coal and Steel Community, see Document 172.

[3] This is a reference to the White House press release of Dec. 23 in which President Eisenhower reaffirmed his hope that ways might be found to enable the United States to assist the Coal and Steel Community in modernizing and developing the natural resources within its jurisdiction. For the text of this press release, see Department of State *Bulletin*, Jan. 4, 1954, p. 7.

DULLES

No. 199

740.00/2-1154: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

CONFIDENTIAL PARIS, February 11, 1954—8 p. m.

Coled 145. Subject is European Political Community.

1. Committee of governmental experts on EPC has accomplished very little since Paris meetings began on January 8, 1954. Committee is now preparing a report to be submitted to Foreign Ministers March 15. Report for most part will not go beyond listing of preferred solutions with explanations of reservations of different delegations. It is not expected that Brussels meeting of Foreign Ministers end March will produce any substantial progress, and no effort is being made to prepare way for an agreement by Ministers on even broad principles which might be used to facilitiate ratification of EDC treaty by French Assembly. [2] In fact lack of progress in work on EPC is due in large measure to complete uncertainty as to whether French government wishes any agreement to be reached before ratification debate.

2. On one hand, French officials responsible for negotiations insist that Laniel is more interested in obtaining support for EDC ratification from lukewarm independents and ARS than he is in assuring support of Socialists, and that "supranational" aspects of EPC must accordingly be toned down. Efforts of these deputies to revise EDC treaty leave doubt that a basis can be found to obtain any substantial support for EDC from them. However, Laniel's very persistence argues that he may have some understanding with his own group and at least a certain number of ARS.

3. On the other hand, Teitgen, Pleven, Reynaud and other "pro-EDC" members of government are determined "supranational" aspects of EPC must be upheld. Also, extraordinary congress of French Socialists is to be held just prior to EDC ratification debate

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[1] Repeated to London, Bonn, Rome, The Hague, Brussels, and Luxembourg.

[2] For documentation concerning the attitude of the United States toward a European Defense Community, see vol. v, Part 1, pp. 571 ff.

to determine whether conditions for party support of EDC treaty—including among others subordination of EDC organs to supranational European political authority—have been adequately fulfilled. However, Mollet is not now actively seeking any agreement by 6 countries on EPC to fulfill this condition. He has claimed victory for Socialist position in changing attitude of French EPC delegation at Rome [3] and has let it be known that he considered Bidault's statements on EPC during pre-Bermuda [4] debate as satisfactory. Because of basic split on this issue, Laniel government carefully avoided any endorsement by itself or by Assembly of Bidault's statements on EPC.

4. Mollet may be willing to go before extraordinary congress on this basis. He and his Socialist friends are so committed in French political scene to role of "reliable pro-Europeans" that they may prefer to seek discipline vote from congress for EDC ratification with what they have on EPC rather than to risk being forced to abandon this "European" role by mere failure to obtain a more precise commitment on supranational features of EPC. Ease with which Mollet can side step EPC will depend in part on what he has to offer on UK association and US assurances.

5. Mollet has made considerable political capital from his being able to offer the firm support of large group of Socialists for a European policy to the pro-EDC groups in the present government. Anti-EDC members of present government majority would like nothing better than to put this firm Socialist support in doubt. Moreover, from viewpoint on the political alignments desired by independents and Peasants it would seem nearly impossible for Laniel to make things any easier for Mollet on issue of "supranationality" and still ask ARS support for EDC ratification.

6. Another reason for letting Mollet make best he can of present situation if he is willing to do so is fact that other nations particularly Benelux, will demand concessions from French on automatic procedure for increasing field of competence of EPC and on principle of common market in return for any immediate agreement on EPC institutions. Presentation to Socialist congress of a precise agreement on such concessions might do Mollet's chances of obtaining discipline vote for EDC more harm than would an effort to defend work on EPC as being within framework of Socialist wishes.

7. In this uncertain situation best course of action for US would appear to be to encourage EPC conference in Paris to continue for

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[3] Regarding the Rome Conference, Sept. 22–Oct. 9, 1953, see Document 178.

[4] For documentation concerning the Bermuda Conference of the Heads of Government of the United States, United Kingdom, and France, Dec. 4–8, 1953, see vol v, Part 2, pp. 1710 ff.

present to revolve on dead center. Happiest development would be if Bidault could restate French government position on EPC in a manner that will enable Mollet to claim success for Socialist view and at same time let Laniel and Pinay argue with independents and ARS that future of EPC is still open.

8. We can look at situation again after Berlin conference. In any case any initiative on our part should be first with Bidault and not with Mollet. Almost any step to foster cooperation between Bidault and Mollet on EDC should be encouraged. The pre-Bermuda debate on European policy went sour because there was not the slightest effort made to organize the pro-EDC majority in the French Assembly. The pro-EDC leaders in each party assumed the majority would rise up by itself and it did not. On contrary pro-EDC deputies among Socialists on one hand and among independents and Peasants on the other did their best to keep one another from voting "pro-European." Presumably at time of final debate "pro-EDC forces" will be prepared and organized to prevent a similar development. In fact, if pro-EDC leaders could concert effectively to exploit reluctance of uncertain deputies in all groups to vote with the hard opposition to the EDC, the French Assembly could still ratify EDC by a surprising majority.

BRUCE

No. 200

850.33/2-1054

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Acting Secretary of State [1]

TOP SECRET [WASHINGTON,] February 11, 1954.

Subject: U.S. Loan to the Coal and Steel Community.

Problem

What action should be taken in Washington in light of the Secretary's telegram on the proposed loan to the European Coal and Steel Community.

Discussion

The attached telegram, Dulte 60, of February 10 (Tab A) [2] transmits the Secretary's view that an effort should be made to reinstate the availability of $100 million for the purpose of a loan to the European Coal and Steel Community. We interpret the word

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[1] Drafted by Boochever and cleared with Nolting, Corbett, and Palmer.

[2] Not found attached to the source text; for text, see Document 198.

"reinstate" as a reference to the fact that, at one point, agreement had been secured from Defense by Mr. Rand to the transfer of $100 million from Title I military funds, exclusively or principally from the FY 1954 authorization, for the purpose of the loan. Subsequently, Mr. Kyes withdrew the Defense Department's concurrence. Mr. Merchant and Mr. Bruce were aware of this problem and have presumably informed the Secretary. The Secretary would, therefore, appear to be reaffirming his support for the transfer.

The incoming telegram proposes that the $100 million should be payable half in FY 1954 and half in FY 1955, but all within calendar year 1954. Formerly, an offer had been made to M. Monnet to loan the High Authority $100 million, which would be made available over a period of two years.

Finally, the Secretary states that the European Coal and Steel Community is under serious attack by the enemies of EDC and European unity and records his belief that it is important at this time to give evidence of U.S. support to the Coal and Steel Community along the lines of the President's letter of June 16 to the Chairmen of the Committees on Foreign Affairs and Foreign Relations, and the White House communiqué of December 23. Both of these messages alluded to the President's desire to assist the Community through a U.S. loan. It is apparent that the Secretary intends that the "U.S. support" should be in the form of a specific loan offer from the U.S.

A brief review of the developments on the loan is contained in my memorandum to you of February 4 (Tab B). [3] It should be recognized that a transfer from military funds for the loan would cut into end-item deliveries. It is considered likely that Defense would cut off-shore procurement in Europe by an amount equivalent to the funds transferred.

Recommendations

1. That you discuss the problem with Messrs. Wilson, Humphrey and Stassen in order to seek early agreement on making $100 million available as a loan to the European Coal and Steel Community within calendar year 1954, with half being made available prior to June 30.

2. That, in light of the Secretary's telegram, you seek their agreement on securing these funds through a transfer from FY 1954 military assistance funds, as previously envisaged; if agreement can not be reached on this course, that you elicit their views on other means for securing the funds and specifically on the alternative procedures mentioned in my memorandum of February 4—i.e.,

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[3] Document 197.

a request for Congressional authorization for the Treasury to make the loan as a public debt transaction, or for Congressional authorization and outright appropriation of the funds.

3. That, if possible, the above action be taken on Thursday, February 11, 1954, inasmuch as Mr. Stassen, who is very familiar with the loan problem, will be leaving Washington for two weeks early Friday morning. [4]

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[4] No record of the recommended meeting between representatives of the Departments of State, Defense, and Treasury, and the Foreign Operations Administration has been found in Department of State files. However, according to telegram Tedul 22 to Berlin of Feb. 11, Dulles was informed that agreement was reached among the interested parties to reinstate the availability of the $100 million for a loan along the lines recommended in telegram Dulte 60 "after a bloody struggle". (850.33/2-1054)

No. 201

840.00/2-1354

Memorandum of Conversation, by Isaiah Frank of the Office of Economic Defense and Trade Policy [1]

CONFIDENTIAL WASHINGTON, February 13, 1954.

Subject: Meeting Re EPU and Convertibility.

Participants: Mr. Waugh—E Mr. Ringer—FOA
Mr. Corbett—OFD Mr. FitzGerald—FOA
Mr. Frank—EDT Mr. Buck—FOA
Mr. Moore—EUR Mr. Hulley—FOA
Mr. Boochever—EUR Mr. Kaplan—FOA

The meeting was held to discuss the US position on the future of the EPU for the forthcoming meeting of the Council of the OEEC. [2]

General agreement emerged that the US should not assume the leadership at the meeting but should help guide the discussion in order to bring about a satisfactory one year renewal of the EPU and to preserve existing gains and encourage further progress in the field of trade liberalization. A settlement of outstanding indebtedness to the EPU should be encouraged without recourse to EPU's convertible assets, but some limited use of such assets should not be ruled out.

There was some discussion of what the US position should be in the event that some EPU country, presumably the UK or Germany, should propose an early move toward convertibility. The FOA members expressed the concern that unless we were prepared with a clearly formulated position as to the relation between such a move and the continuation of EPU, the effect might be to break up the latter organization with repercussions of a serious nature on efforts toward integration in EDC and EPC. The State Department members felt that, in the absence of precise information as to the nature and timing of the move toward convertibility, the US could not adopt a meaningful position with respect to this eventuality at the present time.

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[1] Copies were sent to all the participants from the Department of State.

[2] Minutes of this meeting, the 251st meeting of the OEEC Council, held on May 5-6, 1954, are in OEEC files, lot 56 D 217, "C/M (54) 15".

There was some discussion of the forthcoming OEEC meeting of economic experts for the purpose of agreeing on the theme for the next annual OEEC report. Sentiment is apparently developing among the Europeans for focusing the report on the effects of a possible US recession. While the Europeans would like to see Mr. Hauge attend for the US, the latter apparently will not be able to do so. There is a possibility that Arthur Burns may go. State and FOA agreed that the European preoccupation with this subject has already been excessive and that we should try to prevent such a session from becoming an exercise in baiting the US.

FOA agreed to draft a paper embodying the foregoing points of agreement.

No. 202

850.33/2-1854

Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) to the Acting Secretary of State [1]

CONFIDENTIAL [WASHINGTON,] February 18, 1954.

Subject: Budget Bureau Reaction to the Proposal for a Loan to the European Coal and Steel Community.

Mr. Stassen has summarized in the attached memorandum the agreement which was worked out last week among the State Department, Treasury, FOA and Defense with respect to the funds to be used in a loan to the European Coal and Steel Community. He has sent a copy of this memorandum to the Bureau of the Budget, which we understand is preparing to comment on the agreement.

When FOA proposed in January that the U.S. make available $100 million of MSP funds for a loan to the Community, the Bureau of the Budget concurred, with the proviso that the loan should not require a request to Congress for funds in FY 1955 beyond those already included in the President's budget. Since the current agreement, as outlined in the attached memorandum, would require an additional appropriation from Congress for fiscal year 1955, it is possible that the Budget Bureau will raise an objection.

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[1] Drafted by Boochever.

This memorandum, therefore, is for your background information in the event that the question of Budget Bureau approval should at some time be raised with you.

[Attachment]

Memorandum by the Director of the Foreign Operations Administration (Stassen) to the Deputy Secretary of Defense (Kyes)

CONFIDENTIAL [WASHINGTON,] February 12, 1954.

Subject: Loan to the Coal and Steel Community

Based upon our discussion on the afternoon of February 11 with respect to the above matter, it is my understanding that you have no objection to the proposal for a $100 million loan to the Coal and Steel Community during Calendar Year 1954, and that we are agreed that the financing of this loan should be handled as follows:

a. $50 million from those Fiscal Year 1954 military assistance funds which have already been set aside in the form of a reserve to meet various contingencies, and

b. $50 million from a special appropriation which will be sought from Congress for Fiscal Year 1955 as a new and separate item which would be included in, and which would be additive to the $3.5 billion now contained in the President's total foreign aid program.

c. The entire $100 million to be available during Calendar Year 1954 to the Coal and Steel Community under agreed terms of loan satisfactory to the Secretary of the Treasury.

We will proceed to implement this agreement on this basis unless further questions are raised with Mr. Rand, Acting Director during my journey to the Far East.

May I express my appreciation of your constructive cooperation on resolving this matter.

No. 203

Editorial Note

Following his meeting with Secretary of State Dulles in Berlin, Jean Monnet, President of the High Authority of the European Coal and Steel Community, wrote a letter to Dulles dated February 13 concerning their discussion and enclosing a draft of a communiqué which confirmed United States support of the Community and noted the beginning of negotiations in Washington in March. (850.33/2-1354) On February 19, Dulles responded to Monnet's letter by recommending that the proposed communiqué be shortened and that paragraphs with controversial matters be removed. Dulles suggested that while the negotiations would begin with the knowledge that funds would in fact be available, that availability should not be announced beforehand. (850.33/2-1354) According to telegram Coled 148 from Paris, February 19, Monnet accepted Dulles' recommendations about the press release and agreed to issue the press release on February 21 at 10 a. m. (Washington time) in Washington and Luxembourg. (850.33/2-1954) For the text of this press release, see Department of State *Bulletin*, March 1, 1954, page 327.

On March 19, David Bruce sent a formal letter to Monnet inviting him to send a delegation to Washington to begin negotiations concerning a loan. Monnet accepted the invitation the same day. During the following week, arrangements were made between the High Authority and the Department of State concerning the details of the negotiations which it was agreed would begin on Tuesday, April 6. (Bruce Mission files, lot 57 M 38, "US Loan Negotiations")

No. 204

850.33/3-1654

Memorandum of Conversation, by Douglas B. Smith of the Investment and Economic Development Staff [1]

CONFIDENTIAL WASHINGTON, March 16, 1954.

Subject: Proposed Coal and Steel Community Loan

Participants: Mr. Glendinning—Treasury
Mr. Bitterman—Treasury
Mr. Bennett—FOA
Mr. Richardson—FOA
Mr. Smith—ED

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[1] Copies were sent to Boochever, Corbett, and Ross.

Jack Bennett arranged the meeting with Mr. Glendinning to explore Treasury's views regarding the proposed coal and steel community loan. At his suggestion I went along as an observer.

Mr. Glendinning said that it was his understanding that Monnet would prefer a local currency loan primarily to avoid the problems of servicing a dollar debt. At the present time the Treasury has scheduled uses for all local currency holdings which could be used in a CSC loan. However, the Treasury would be willing to extend a loan to CSC on terms permitting disbursements by the U.S. either in local currencies or dollars at our option. Local currencies would be released if and when Monnet needed them and if the Treasury had adequate holdings of the specific currencies required. Such loans would be repaid in the currency disbursed. In the case of dollar disbursements the Treasury would want repayment in dollars but does not feel it would be necessary for us to get involved in the guarantees which might be secured from local governments to assure that Monnet would have the means to service such loans. This would more properly be a matter between Monnet and the governments involved. The loan agreement should contain exchange guarantees for any local currency disbursements which are made under the loan. Probably the best way of doing this would be to have a dollar equivalent clause in the agreement for those parts of the loan advanced in local currencies. Mr. Glendinning indicated in negotiating with Monnet we ought to make an honest effort to get exchange guarantees but that the Treasury position was not adamant.

Mr. Glendinning said that the Treasury was quite firm on the position that we should have the right to scrutinize individual projects financed under the loan. He said that Burgess feels very strongly on this point and that he understands Humphrey had some views on it too. When asked about the administration of the loan Glendinning felt that perhaps the Eximbank instead of Treasury should act as FOA's agent. He added that this is not properly an Eximbank type loan because it doesn't involve the financing of U.S. exports. The Eximbank has indicated that before it could even consider undertaking the loan as an Eximbank loan it would have to get further authorization from Congress.

Glendinning felt that one aspect that should be explored with Monnet is if CSC would reloan the funds on the same terms available in European markets or on more liberal terms. He expressed no particular view on this one way or the other. As to the question of whether or not this $100 million would be a first installment on a larger loan, he indicated that Humphrey was probably thinking of a one shot affair.

No. 205

740.00/3-2254: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

CONFIDENTIAL PARIS, March 22, 1954—noon.

Coled 203. Second month of discussions in Paris of six-country committee for European Political Community has accomplished nothing to change judgments contained Coled 145. [2] Although committee produced a report over 200 pages long, it adds little of substance to Rome agreements six months ago and on a number of points represents a step backward since Rome. [3] On major questions of substance, report limits itself to setting forth disagreements.

We are forwarding today by despatch a summary of committee report and pouching one French copy of report itself to Department attention Moore. [4] In view probability indefinite postponement Brussels Ministers' meeting (Coled 196 [5]) no new developments are to be expected in this field unless French Government should decide take some action on Socialist demands for democratic control of European Army.

BRUCE

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[1] Repeated to London, Bonn, The Hague, Brussels, Rome, and Luxembourg.

[2] Document 199.

[3] This is a reference to the Rome Conference on the European Political Community, Sept. 22–Oct. 9, 1953; for information concerning the conference, see Document 178.

[4] The despatch under reference is Coled D–96 from Paris, Mar. 21, 1954, not printed. (740.00/3–2154)

[5] Not printed; it informed the Department of State that the French Government desired to postpone the Brussels meeting scheduled for Mar. 30. According to an officer in the Italian Embassy, the underlying reason for this action was Laniel's and Bidault's wish to avoid pressure on them to give Mollet any satisfaction on progress relating to the European Political Community. (740.5/3–1954)

No. 206

850.33/3-2654

Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Kalijarvi) to the Assistant Secretary of State for European Affairs (Merchant) [1]

CONFIDENTIAL WASHINGTON, March 26, 1954.

Subject: Discussions on Loan to European Coal and Steel Community

There are two ECSC problems that are so important we believe they should be brought strongly to Monnet's attention during the course of the discussions on a loan to the European Coal and Steel Community. They concern (1) discriminatory Belgian and German restrictions on imports of United States coal, and (2) the continuing delay of the High Authority to take action against restrictive arrangements under Article 65. In regard to the first problem, we hope that Monnet will assist us in getting these restrictions removed so that we can avoid a fight in the GATT.

With reference to the second problem, continued inaction on the part of the High Authority against restrictionism now constitutes a most serious threat to the successful development of a free market economy in the ECSC. It is tending to confirm the suspicions of critics in this country, such as Clarence Randall, [2] who believe the Schuman Plan may develop into a giant cartel. Finally, it is of particular concern because it both stems from and encourages an increasing disposition to reach solutions from a national rather than Community standpoint and as such is creating serious obstacles toward further European integration.

I believe these problems should be brought up in the general meeting on the loan in order to stress their importance. They could then be discussed in more detail at subsequent working meetings. The attached paper can be used as a basis for these discussions.

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[1] Drafted by Winter and cleared with Vernon.

[2] For documentation concerning Clarence Randall and his Commission on Foreign Economic Policy, see vol. I, Part 1, p. 49 ff.

[Attachment]

Memorandum by James J. Blake and Harvey J. Winter of the Office of Economic Defense and Trade Policy[3]

CONFIDENTIAL [WASHINGTON,] March 29, 1954.

Subject: Discussions on Loan to European Coal and Steel Community

Two aspects of ECSC developments are a cause of continuing concern in the Department. The first relates to Belgian and German restrictions on imports of United States coal. The second is the failure of the High Authority to move against restrictive arrangements concerning steel and coal. It is recommended that these two issues should be brought into the forthcoming discussions with M. Jean Monnet on the proposed loan to the High Authority. We believe that the meeting with Monnet provides an excellent opportunity to bring these matters to his personal attention. It is not intended that solutions to these problems should be considered conditions to the granting of a loan.

(1) *Belgian and German restrictions on imports of United States coal.*—Since October 1953, the Belgian Government has been restricting the importation of coking coal from the United States, while no such restrictions have been imposed upon other countries. Although the restriction was supposedly temporary, it has not been lifted and we understand, as a matter of fact, that the Belgians do not intend to import any United States coal during the second quarter of 1954. The Belgian Government has indicated that it cannot take any unilateral action on the coal problem because of alleged obligations to the other ECSC countries. However, to our knowledge, at no time since the imposition of the restriction in October has Belgium formally raised the question of imports of United States coal with either the High Authority or with other ECSC members. Moreover, Belgium has not at any time justified the restriction under the ECSC Treaty. The restriction violates GATT and is not sanctioned by the waiver under GATT.

Germany also prohibited direct imports of American coal at about the same time the Belgian restriction was imposed. Coal was not included on the Germans' liberalization list issued on February 17, 1954, although it was included on the United States list of commodities, given to Minister of Economics Erhard in November 1953, for which the United States was interested in obtaining nondiscriminatory treatment and a relaxation of restrictions. When questioned about this omission, the Germans stated that coal and other commodities subject to the jurisdiction of the ECSC were not included because it was felt that action on these commodities should be discussed with the High Authority.

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[3] Cleared in draft with Vernon, Moore, Boochever, and Lyons.

Since the Belgians have not taken this matter up with the High Authority, they apparently are claiming that this is an ECSC matter as a dodge to delay action on the problem. We have therefore requested the Belgian Government in a formal note to discontinue these restrictions.

Although the Germans have raised the question of imports of U.S. coal through Holland, we are confidentially informed that the Legal Section of the High Authority found (1) that Holland was acting within its rights in re-exporting U.S. coal to Germany and (2) that no basis exists at this time for the imposition of quantitative restrictions by the High Authority. In view of this position we are planning on pressing the Germans further.

If the restrictions against United States coal are continued in spite of United States protests to the governments concerned, we are prepared to bring a formal complaint against Belgium and Germany in the GATT. However, we would prefer to avoid this action if possible. We believe this problem should be brought into the discussions with Monnet in an effort to expedite a solution without recourse to the GATT.

We therefore recommend that the matter be discussed with Monnet along the following lines. Restrictions imposed by Belgium and Germany are clearly discriminatory. As such, we believed that they cannot be justified under the terms of the GATT waiver. We are not contending that this is the fault of the ECSC, but as long as the existence of the ECSC is cited as the justification for the restrictions, there is danger that the ECSC may suffer in U.S. public opinion. It would redound to the credit of the ECSC if it were instrumental in removing these discriminatory restrictions. The United States Government has just presented a formal note of protest to the Belgian Government against the continuance of these restrictions and is contemplating a similar protest to the German Government. If these restrictions are still continued, then the United States is prepared to bring the problem to the attention of the Contracting Parties to the General Agreement on Tariffs and Trade through a formal complaint against Belgium and Germany. However, the United States believes that an expeditious and amicable solution to the problem resulting in the removal of these discriminatory import restrictions affecting United States coal would be far preferable and should continue to be sought. We believe it would be in the best interest of both the ECSC and the United States if the High Authority could assist informally in this matter with a view toward helping to bring about an equitable solution.

(2) *Restrictive Arrangements in the ECSC*—Up to the present time the High Authority has failed to take any definitive action under Article 65 against restrictive arrangements in the steel and coal industries. It is generally known that arrangements in violation of Article 65 continue in most or all of the Community countries.

We have been greatly encouraged by the fact that the High Authority drew up at the beginning of the year a definite and detailed program of action against the restrictive practices of the major coal sales organizations to be carried out this spring. However, we now learn that, as a result of the decision to continue maximum coal prices, this action has been indefinitely deferred.

The failure of the High Authority to initiate action under Article 65 against the various steel and coal arrangements which are known to exist and which in some cases are carrying on operations in disregard of the requirements of the Treaty is already stimulating a resurgence of restrictionism that the High Authority will find increasingly difficult to counter. For example, it has been reported that French and Belgian producers have agreed not "to invade" the German home market if German steel producers agree to the establishment of quotas under the agreement covering steel exports by ECSC member countries.

It is therefore recommended that our views about the lack of action against restrictive arrangements in the ECSC be expressed to Monnet as follows: This Government is deeply concerned that any further deferment of action on the problem of restrictive arrangements in the coal and steel industries will basically prejudice later effective measures by the High Authority. We are cognizant of the difficult problems involved in pushing ahead in this field. However, as these restrictive arrangements become more firmly entrenched, the High Authority will find it increasingly difficult to dislodge them. The continuance of restrictive arrangements in the steel industry may render ineffective the recent important decisions designed to introduce flexibility and stimulate competition in the ECSC steel pricing system. With reference to the proposed United States loan, effective action under Article 65 is important if the United States is to avoid severe criticism for assisting—even indirectly—in financing cartelized industries. In addition, elimination of restrictive arrangements is especially important in connection with the High Authority's proposed investment program. The positive benefits accruing from this program can only be fully realized if effective action is taken against restrictive arrangements in the ECSC.

We know that M. Monnet is aware of the dangers of restrictionism in the Community. However, unless some definitive action is taken soon by the High Authority against restrictive arrangements, we are fearful that the confidence of informed United States opinion in the ability of the High Authority to attain its goals will be greatly weakened.

No. 207

850.33/4-154

The Assistant Secretary of State for Congressional Relations (Morton) to the Chairman of the Senate Foreign Relations Committee (Wiley) [1]

CONFIDENTIAL [WASHINGTON,] April 1, 1954.

MY DEAR SENATOR WILEY: As you will recall, the possibility of a United States loan to the European Coal and Steel Community was presented to you as Chairman of the Foreign Relations Committee in the President's letter of June 15, 1953. At that time the President cited the Community as, in his view, "the most hopeful and constructive development so far towards the economic and political integration of Europe" and one which "meets the often expressed hopes of the Congress of the United States." He suggested in this context, that the financing by the United States Government or one of its agencies of a portion of the Community's investment requirements "would foster European integration in a tangible and useful way." A similar letter was addressed to Mr. Chiperfield. [2]

After replies to these letters had been received, preliminary discussions were held, at M. Monnet's request, on the possibility of the United States Government extending a loan to the European Coal and Steel Community. While these conversations were carried on for the most part by Mr. Bruce, as the United States Representative to the European Coal and Steel Community, Mr. Dulles, Mr. Humphrey, and Mr. Stassen have also discussed the subject with M. Monnet in the course of visits to Europe.

On February 20, 1954, the United States Government announced its agreement to open negotiations in Washington to determine the concrete ways in which financial support will be extended to the Community, in keeping with the President's view that such financing would contribute to European integration. M. Monnet has now been invited to come to Washington and discussions with this Government are expected to begin on April 6. [3]

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[1] Drafted by Boochever and cleared in draft with Corbett, Kirlin, Palmer, Gray, Glendinning of the Department of Treasury, and Bennett and Trisko of the Foreign Operations Administration. An identical copy of this letter was sent to Representative Robert B. Chiperfield, Chairman of the House Foreign Affairs Committee on Apr. 1. (850.33/4-154)

[2] For information concerning these letters, see Document 203.

The High Authority has an income from its levy on coal and steel production within the Community which, in currencies of the Coal and Steel Community member countries, is currently equivalent to approximately $50 million annually. Of this amount some $30 million is available annually to guarantee financial commitments assumed by the High Authority. It will also add to its income through the interest it receives on the loans which it extends. It is on the basis of this borrowing capacity, that the High Authority is seeking a loan from the United States.

The High Authority has made available certain information on the policies it intends to pursue with respect to the loans or guarantees which it will extend to coal and steel enterprises within the Community. In general, its primary objective over the next several years will be to contribute to the modernization and expansion of facilities for the production of coke, coking coal and iron ore, and thereby to increase productivity and lower costs. The accomplishment of this objective will assist Europe in strengthening its industrial potential for defense while also contributing to European welfare and vitality.

Information received from the High Authority describes its lending policies in the following terms:

> "The High Authority intends to use all funds which it can borrow to supplement the financial means which the enterprises will be able to obtain either from their own resources or from the financial markets of the Community. In administering these supplemental funds the High Authority is not obligated, nor does it wish, to direct the investment activities of the enterprises. The enterprises will retain full initiative and responsibility for the development and execution of their investment projects.
>
> "The role of the High Authority will be rather that of an informed and prudent lender. It will assure itself that the projects submitted to it constitute sound financial investments for enterprises operating within the competitive conditions of the common market, that the proceeds will be properly applied and that the prospective earnings of the enterprise support the expectation of amortization over a reasonable period."

In light of the above information and in view of the recognized need, at the present crucial juncture, to demonstrate United States support for European integration, the Executive Branch has come to the conclusion that the United States Government should now make a loan available to the High Authority.

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[3] For information concerning these arrangements, see Document 209.

The Executive Branch contemplates for the calendar year 1954 a loan of $100 million to the Community, assuming that the outcome of the forthcoming negotiations is favorable. This amount would be made available from funds appropriated by Congress for the Mutual Security Program under the Mutual Security Act of 1951, as amended, and would be expended pursuant to section 2(b) of that Act. If funds are required for the loan from new appropriations for the fiscal year 1955, they will be requested from Congress and justified as in the case of other appropriation requests, and will of course not be committed by the Executive Branch until the necessary legislation has been enacted. The Executive Branch will also, at the appropriate time, consult with Congress on what further steps might be taken in support of European integration.

There are compelling reasons why it is urgent at the present moment for the United States to give tangible proof of its readiness to support the European integration movement and specifically the European Coal and Steel Community, the only European supranational organization in operation. Of first importance is the fact that the ratification process of the European Defense Community has reached a crucial stage in France and Italy, and it is believed that concrete action by the United States in support of European integration would have a favorable impact.

Another major reason for acting now is that the European Coal and Steel Community, while off to a good start, is entering a difficult phase of its career. It needs substantial resources at its command if it is to contribute further to the breaking down of national barriers and restrictive business arrangements hindering the flow of coal and steel, to the revitalizing of the European economy, and to a better way of life for the people of Europe. The ability of the Community to function as a truly federal and supranational entity in its relation with the member states and with the enterprises within its jurisdiction will determine not only whether it can achieve the specific objectives for which it was created, but also whether it will inspire further steps towards federation on the European continent. We are convinced that a loan from the United States Government to the High Authority can have a profound effect in contributing to the success of the Community and to European unity.

Representatives of the Executive Branch will be pleased to provide further information with respect to the loan negotiations, at your request.

Sincerely yours,

THRUSTON B. MORTON

No. 208

850.33/4-654

The Secretary of State to the Secretary of Defense (Wilson)[1]

LIMITED OFFICIAL USE [WASHINGTON,] April 6, 1954.

MY DEAR MR. SECRETARY: Since my conversation on April 2 with Deputy Secretary Kyes and you,[2] I have looked further into the question of the availability of funds for the $100 million loan which we propose to make to the European Coal and Steel Community. I find that the only firm amount on which we can now count is the $50 million which your Department has agreed can be transferred from existing military assistance funds. I am informed that as matters now stand, the Foreign Operations Administration does not have the additional $50 million which is required and that by the end of the fiscal year only very negligible funds are likely to become available which could be used for this purpose.[3]

From a foreign policy point of view, I attach the greatest importance to an early conclusion of the forthcoming negotiations with M. Monnet. Moreover, I consider that this Government is committed to negotiate with him a loan amounting to $100 million. Given these two requirements of the situation, I feel it necessary that we have the full $100 million available upon the opening of negotiations. I would therefore be grateful if you would reconsider the question of the Department of Defense making the full $100 million available from current military assistance funds.

I hope that you will find it possible to agree to the foregoing arrangement. If not, I believe that it will be necessary to take the matter to the President as he has taken a considerable personal interest. I annex an extract from the White House Communiqué of December 23, 1953.[4]

Since conversations with M. Monnet will begin on April 7, we have not much time.

Sincerely yours,

JOHN FOSTER DULLES

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[1] Drafted by Palmer and cleared in substance with Merchant, Corbett, and Rand of the Foreign Operations Administration. A notation in the margin of the source text reads as follows: "Ltr signed by Secy Dulles & given to Wilson 4/6/54."

[2] No record of this meeting was found in Department of State files.

[3] Rand informed the Department of State of the lack of such funds in the budget of the Foreign Operations Administration in a telephone conversation with Merchant on Apr. 5; the brief memorandum of this conversation is in file 850.33/4-554.

[4] Not printed here. For the text of this communiqué, see Department of State *Bulletin*, Jan. 4, 1954, p. 7.

No. 209

Editorial Note

During the last two weeks of March and the first week of April, final arrangements for Jean Monnet's visit to Washington were made, and a press release was issued on April 1 announcing that these talks would begin on April 6. For the text of this press release, see Department of State *Bulletin*, April 12, 1954, pages 562–563. Subsequently, the opening session of the loan negotiations were postponed until April 7 and finally April 8. In preparation for these talks, several briefing memoranda, speaking papers, and background papers were drafted in the Department of State. Copies of these documents, none of which is printed here, are in Conference files, lot 59 D 95, CF 237 and RA files, lot 58 D 374, "Schuman Plan—1954".

No. 210

Secretary's Staff Meetings, lot 63 D 75, "April 1954"

Notes of the Secretary's Staff Meeting, Thursday, April 8, 1954, 9:15 a.m. [1]

[Extract] [2]

SECRET

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CSC Negotiations

3. Mr. Bonbright said that we were going into these negotiations without a completely coordinated US position:

(a) We did not know the position of Defense with regard to the $50,000,000 we recommended come out of end-item funds for a loan for the CSC. General Smith said that it was exceedingly difficult for Defense to find this information quickly since it involved an entire reprogramming of the end-item program.

(b) The Treasury Department was holding out against FOA and State in connection with certain uses of the CSC loan. EUR recommended that the Secretary call Humphrey to obtain his agreement to reserve his position until Monnet sets forth his case. The Secretary said that it would be very difficult for him to do anything about this before the 10:30 meeting. He believed, however, that Mr. Humphrey would receive considerable pressure from the negotiators themselves.

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[1] Circulated as document SM N-219.

[2] The omitted sections of the record of this meeting concern discussions of the Jenner Committee, agricultural surpluses, Israeli border incidents, and Disarmament Commission matters.

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No. 211

Conference files, lot 59 D 95, CF 237

Summary Minutes of the First Meeting of the Coal and Steel Loan Negotiations, Washington, Thursday, April 8, 1954, 10:30 a.m. [1]

LIMITED OFFICIAL USE

Participants: Mr. Dulles
Mr. Humphrey
Mr. Rand
Mr. Merchant
Mr. Monnet
Mr. Potthoff
Mr. Giacchero

Secretary Dulles opened the meeting by welcoming M. Monnet and his associates in the Coal-Steel Community. He stated that this meeting had important historical significance since it was the first time the United States has had the opportunity to deal with a sovereign Community representing more than national states. This Community was of profound significance to the United States, foreshadowing the unity of Europe.

The Secretary stated that the President of the United States personally takes a deep interest in European integration. The meeting today is an outgrowth of the President's suggestion last year on the possibility of extending assistance to the Coal-Steel Community. He referred to the exchange of letters last year between the President and the Chairman of the Foreign Affairs Committees of the Congress, [2] from which this meeting developed. The United States, the Secretary emphasized, is happy to consider ways of extending tangible evidence of our interest in the Community.

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[1] For information concerning the preparations for these negotiations and the arrangements for the meetings, see Document 209.

No list of participants was provided in the source text; the names listed here were taken from the text of the summary minutes.

[2] For information concerning the exchange of correspondence under reference here, see Document 172.

The Secretary then suggested that M. Monnet present his thoughts on this subject and outline the basis on which to negotiate. This was important since the United States was not going into the banking business and was not invading the field of private banking operations. The United States accepted the principle of negotiating a loan to the Coal-Steel Community as an exceptional act. It could be explained only by the great interest of the U.S. Government in the Community and as an exceptional way of expressing U.S. faith in this activity.

M. Monnet expressed his thanks for the U.S. invitation and for the Secretary's welcome. He appreciated this concrete way of implementing President Eisenhower's recommendations for assistance to the Community and recognized the exceptional nature of this step to negotiate a loan.

He wished first to make some general remarks on the progress of the Community since last year's meeting with representatives of the United States. The Coal-Steel Community, Mr. Monnet emphasized, was not only coal and steel, but was primarily the beginning of a united Europe. This was its original and main objective and it was only in this sense that the Community's progress can be judged.

He stressed three main points in the progress of the Community. First, there has been progress in the establishment and recognition of the Community's institutions, the High Authority, the Assembly, the Consultative Committee and the Court. The countries of the Community have accepted the existence of an Authority which transcends national authority, an Authority which makes decisions which are accepted by the national Governments. These Governments do not resist decisions they consider wrong, but instead appeal such decisions to the Court, which is, in fact, the beginning of the Supreme Court of Europe. The Court's decisions are final and must be carried out.

The Assembly of the Community, M. Monnet stated, to which the High Authority reports publicly, has met several times and has become a living institution. The High Authority takes no decision without full consultation with member Governments and the Consultative Committee. The institutions of the Coal and Steel Community are the first European institutions with the power of decision extending beyond national frontiers.

The second element of progress in the past year has been the development of the common market of 160 million consumers. The High Authority is in the process of eliminating all barriers that prevent the free flow of coal and steel among the six nations of the Community. Although the job has not been finished, the High Authority is well on the way toward eliminating such barriers. For example, quotas, dual pricing, certain subsidies and transport rate discriminations have already been eliminated. By the end of the year the High Authority expects to have eliminated all barriers within the Community which have prevented the operation of the free common market in coal and steel.

M. Monnet noted as the third point the fundamental progress being made toward the creation of a dynamic economy. This is being accomplished through the elimination of inefficient producers instead of protection of such producers through a cartel system. In the case of steel this is being accomplished through the freeing of prices and the publication of price lists. Steel prices have been reduced and competition among producers has been introduced. There has also been an increase in the movement of coal and steel within the Community.

The High Authority is in the process of dealing with the cartel problem. A beginning is being made toward the elimination of coal cartels but this cannot be done overnight. The High Authority has already eliminated some cartels, for example, those in the field of scrap.

The changes described above, M. Monnet stated, require development which in turn requires investment and resources. The High Authority is now in a position to assist in the financing of production and in changing conditions in the capital market of Europe. The High Authority has now established its credit on the basis of its taxing power and is now in a position to borrow. The size of the loan from the United States must be determined by the United States. M. Monnet hoped, however, that the United States would take into account, in determining the size of the loan, the magnitude of the High Authority's task and the importance of the new relationship between the United States and the High Authority. He closed by saying that he was not asking for a grant, but for a loan repayable on the basis of the High Authority's credit.

Secretary Humphrey opened his remarks saying that he was thoroughly convinced of the soundness of the Coal-Steel Community. The High Authority was doing an effective job and making excellent progress. He stated, however, that he must be realistic in the negotiations regarding the size of the loan. He pointed out that the United States has not balanced the budget and that this represents an acute problem for this country. Further, there is a growing problem facing the coal and steel industry, although this is not to be attributed to the Coal-Steel Community. This difficult situation, however, does color the attitude of these industries toward a loan by the United States to the Coal-Steel Community. This does not mean, however, that the United States is not prepared to cooperate with the Coal-Steel Community since assisting the High Authority to become the capital banker for the Community will strengthen the CSC and be a powerful step toward European integration.

Mr. Rand, Deputy Director of the Foreign Operations Administration, declared that he was much impressed by the progress of the Coal-Steel Community. He hoped in later discussions that such problems as Belgian and German restrictions on U.S. coal imports and other issues related to the proposed loans would be discussed.

Mr. Potthoff, a member of the High Authority, spoke of the active support and participation of workers and free trade unions in the program of the CSC. Workers are represented on the Consultative Committee and through this organ have opportunities to discuss social and economic problems of special interest to them. He noted that worker interests have expressed the hope that investments in the CSC will lead to a reduction in production costs and lower prices.

Mr. Giacchero, a member of the High Authority, stated that the proposed loan was of the highest importance for it represented a new bond between a resurgent Europe and the United States. It would prove to the European peoples that the United States was interested in raising living standards in Europe and in European political integration. In the case of Italy, the common market for steel has already resulted in lower steel prices and in substantially increased steel consumption in the past year.

Mr. Dulles suggested as a basis for future discussions the negotiating group first take up some of the major problems involved in the loan and that after these first questions were settled, the United States would be prepared to submit a draft text of the loan agreement. He then read a draft press release which was accepted by all parties. (Press Release attached.[3]) He then turned the meeting over to Mr. Merchant.

Mr. Merchant began by emphasizing the desirability of bringing the negotiations to a successful conclusion as rapidly as possible. For future discussion he suggested certain broad subjects which he felt should be considered prior to the discussion of the text of any agreement. These problems included: (1) terms of the loan, amount, rate of interest, currencies, and amortization; (2) general purposes to which the loan funds would be made available and categories of investments; and (3) references in the agreement to objectives of the CSC Treaty such as the establishment of a broad competition market free from public and private restrictions. The United States would also like to raise with the High Authority certain other questions in connection with the proposed loan, such as (1) assurances that enterprises will be able to make purchases on the basis of competitive considerations without obstacles being imposed by Governments; (2) commitments by the High Authority to ensure the re-transfer of such dollar amounts as are necessary for the servicing of the loan; (3) elimination of restrictions by CSC member Governments on imports of U.S. coal; and (4) the High Authority program for action against cartels.

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[3] Not printed here. For the text of this press release which announced the opening of the loan negotiations, see Department of State *Bulletin*, Apr. 26, 1954, p. 622.

The meeting adjourned at 11:55 and scheduled another meeting for 3:00 p.m. that afternoon.

No. 212

Editorial Note

For the 2 weeks following the opening session on April 8, a series of meetings was held between representatives of the High Authority and the Departments of State and Treasury, the Foreign Operations Administration, and the Export–Import Bank. Summary minutes of several, but not all, meetings were found in Department of State files. The minutes of the afternoon meeting on April 8, which summarized a discussion of the general purpose of the proposed loan, the types of projects to be funded by the loan, and an estimate of the rate at which the loan would be depleted, are in RA files, lot 58 D 374, "CSC Loan Negotiations—1954". Minutes of the meeting on April 9, where the discussion focused on the problem of restrictions on imports of United States coal and the problem of cartels, are in Conference files, lot 59 D 95, CF 237. Minutes of the April 15 meeting, which summarized an article-by-article consideration of the United States draft agreement on the loan, are in Conference files, lot 59 D 95, CF 237.

On April 22 the major Embassies in Western Europe were informed that the signing of the agreement on the United States loan to the European Coal and Steel Community would take place at 3:30 p.m. (Eastern standard time) on April 23 and that a press release would be issued at the time of the signing. (Telegram Edcol 108 to Paris, April 22; 850.33/4–2254) For the text of the press release, which announced the completion of the arrangements for a loan of $100 million by the United States to the High Authority, as well as the text of the remarks made at the signing ceremony by Acting Secretary of State Smith, Jean Monnet, Heinz Potthoff, and Enzo Giacchero, see Department of State *Bulletin*, May 3, 1954, pages 671–673. A copy of the loan agreement is in Bruce Mission files, lot 57 M 38, "U.S. Loan—Implementation".

No. 213

740.00/4-2654: Telegram

The Ambassador in France (Dillon) to the Department of State [1]

SECRET PARIS, April 26, 1954—noon.

4065. The Secretary requested that following be added to report of his meeting with Spaak [2] reported in Secto 11. [3] During general conversation between Spaak and Secretary regarding delays in bringing about unification of Europe, Spaak said that over-generous policy by the US in the past must take a substantial part of the blame for the lack of progress towards the unification of Europe. Spaak said the US missed a golden opportunity when at the outset of the Marshall Plan they did not make all Marshall aid contingent upon the creation of a unified political community in Europe.

DILLON

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[1] Repeated to Brussels and Geneva.

[2] Secretary Dulles was in Paris to attend the North Atlantic Council meetings, Apr. 23.

[3] Telegram Secto 11 from Paris, Apr. 24, reported on Dulles' conversation with Spaak concerning matters relating to the European Defense Community; for the text, see vol. v, Part 1, p. 949.

No. 214

740.00/4-2754: Telegram

The Director of the Foreign Operations Administration (Stassen) to the Embassy in France [1]

CONFIDENTIAL WASHINGTON, April 27, 1954—5:20 p.m.

Toeco 1705. Joint State, Treasury, FOA message. For your information and guidance the US views on the May 5, 6, 1954 session of the OEEC [2] relationship to US long term objectives are stated in this message.

Our objective is to advance toward the broad goals of the United States expressed in the President's March 30, 1954 message on foreign economic policy [3] and other Presidential Messages as follows:

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[1] Drafted by Stassen, cleared with Waugh of the Department of State and Burgess of the Department of the Treasury, and repeated to 17 European posts.

[2] Minutes of the 251st meeting of the OEEC Council, which total 124 pages, are in OEEC files, lot 56 D 217, "C/M (54) 15".

[3] For the text of the speech under reference, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1954*, pp. 352–364.

a. The highest possible level of trade and the most efficient use of capital and resources.

b. Solidarity of the free world for mutual security and combined strength.

c. Currency convertibility as an indispensable condition for a freer and healthier international trade, with sterling as the key currency.

d. Revision of GATT as a global framework for the development of workable system of world trade.

e. Increased integration of Western Europe.

f. Decreased requirement of US aid.

In seeking these goals we recognize the present as a transition period in which we are moving toward currency convertibility and multilateral trade. Essential during this period we preserve and strengthen gains for European trade liberalization and OEEC contribution to European integration.

Primary responsibility for resolution problems associated with extension of EPU must rest with Europeans. The United States will not present any US plan to the session but as in 1953 will work quietly with the members to resolve outstanding differences along following lines.

1. The extension of EPU for one year from June 30, 1954 with an escape clause similar to the one now in effect initiated by the UK last year.

2. Agreement on some repayment of outstanding EPU debts on a medium to long term basis with some appropriate reopening of credit tranches without undue drain on EPU convertible assets. Specific method of payment is not a US concern and agreement between creditors and debtors without US taking position is desirable.

3. We prefer no increase in percentage of gold payments unless necessary to reach agreement on one year extension.

4. Definite arrangements should be made for the continued liberalization of intra-European trade during the next year.

5. Steps should be taken during the next year to expand the liberalization of trade between the EPU area and the dollar area by a specific follow-up by the Trade and Payments Committee of the OEEC on its present dollar trade study. In order that there may be full coordination of OEEC activities in this field with the GATT and the IMF, it may be appropriate to have representatives of these bodies participate as observers in the OEEC.

6. The sum total of all actions should be such as to facilitate the early convertibility of sterling at the right time as determined by the UK, and of other currencies through national decisions.

7. The session should maintain and strengthen the cohesion and cooperation of all of the member nations with each other.

To repeat, the foregoing does not constitute a detailed plan of action to be presented by the United States, since the working out of these matters is the primary responsibility of the Europeans, but rather it is a statement of principles for your guidance in discussions with other countries which you are now authorized to conduct informally. Please continue to keep us advised as you learn of the developments of the position of other governments.

Above based in part on inter-agency review in NAC.

Paper reflecting NAC views in detail following by airpouch.

STASSEN

No. 215

850.33/5–354: Telegram

The Deputy United States Representative to the European Coal and Steel Community (Tomlinson) to the Department of State [1]

LUXEMBOURG, May 3, 1954.

Colux 25. Subject is European Coal and Steel Community. UK delegation handed Monnet on April 29 reply to Monnet's letter of December 24 concerning association between Community and UK. In reply UK expresses belief that if mutually acceptable system of association can be worked out, such association would be politically desirable and economically advantageous to both sides. It should lead to development of international trade in expanding world economy. Letter proposes Monnet should visit London to initiate discussions on precise form of future association and examination of other aspects of problem including suggestions made in Monnet's December letter.

Monnet replied on April 30 accepting invitation to visit London for preliminary conversations.

Exchange of letters will be made public this afternoon in House of Commons. [2] Understand that visit is scheduled for week after June 12.

In view of opposition of British steel industry UK government expected to proceed in negotiations with high authority very carefully. However, by stressing that step by step approach is best way of achieving objective of intimate and enduring association, maximum political benefit is to be assured from opening negotiations.

TOMLINSON

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[1] Repeated to Paris, London, Bonn, The Hague, and Brussels.

[2] Copies of Monnet's letters of Dec. 24, 1953 and Apr. 30, 1954 and Weir's letter of Apr. 29, 1954 were transmitted to the Department of State in despatch Coled D–117 from Luxembourg, May 3, 1954. (850.33/5–354) The British Foreign Office published the original texts of these letters and their translations in Command Paper 9147 (London, May 1954).

No. 216

Bruce Mission files, lot 57 M 38, "U.S. Loan—Implementation"

Louis C. Boochever of the Office of European Regional Affairs to Robert Eisenberg of the Office of the United States Representative to the European Coal and Steel Community, at Luxembourg

LIMITED OFFICIAL USE
OFFICIAL–INFORMAL

[WASHINGTON,] May 10, 1954.

DEAR BOB: I was out of the office a couple of days last week and did not receive your letter [1] until Friday. Hence this is really my first opportunity to reply.

Taking the easiest question first, the text of the agreement has been made available to the public in Washington, and I see no reason why the High Authority should not make it available freely to those who are interested. We have also given copies to the Canadian, Italian, Austrian and German diplomatic missions in the course of discussing the loan with them. The public release of the text was the same as for the various communiqués; i.e., copies were made available to the press in the State Department's News Division. So far I have not seen any of the text cited in the various newspaper articles and editorials which have appeared.

As for the letter on coal import restrictions, I discussed this with Isaiah Frank this morning, and we agreed that it would be advisable for you to follow up by reminding Monnet of his offer to give us such a letter. (I have checked with Ben Moore and he agrees.) By following up we emphasize again our concern with the restrictions, and also may secure a fuller statement from the HA, which would be more useful to us than the one incorporated in the communiqué. [2] The communiqué, for example, says only that the provisions of the Treaty do not preclude removal of the restrictions, and does not indicate whether any consultation with the High Authority or other member states is necessary before such action is taken. The minutes of the discussion on this point should have reached you by now, but I shall send you an additional complete set in any event.

I do not think there are any other steps that you need take on the coal imports at the moment.

I suspect that you are at least as well informed as I am on the later stages of the loan negotiations, if you have had a chance to talk with Guyot or others. All of the provisions referred to in our Edcol 110 [3] (Luxembourg) were decided on at a very high level on the U.S. side and I don't think any of our staff was in on the later stages of discussion of them with Monnet. Actually, the only matter that required extensive discussion with the HA was that of the pledge and the related covenants. The Monday after you left we received word that Monnet was willing to accept the pledging of the security from the project loans. It then became clear that Mr. Humphrey also wanted the pledge to cover the security from other project loans, with the U.S. and all other lenders to benefit equally. The intention here was to make sure that the U.S. should not wind up with security on its loan inferior to that of subsequent lenders to the HA. When it became clear that the defining of such a pledge, if possible at all, would be a complex and time-consuming project, a compromise was worked out as described in paragraph 2 of Edcol 110.

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[1] In a letter to Boochever, dated May 4, Eisenberg asked for a copy of the press release of Apr. 23 (see footnote 2 below) and for information concerning the background of the reference in the press release to private capital funds. (RA files, lot 58 D 374, "CSC—General, January to June 1954")

[2] For the text of the communiqué issued on Apr. 23 in press release 210, see Department of State *Bulletin*, May 3, 1954, pp. 671–672.

Jack Corbett, who has just returned from Luxembourg, tells me that the HA is studying the question of enlarging the pledge. It would be helpful if you could keep in touch with their thinking on this subject, and would keep us currently informed. This will assist in reaching a decision as envisaged in the loan agreement, with respect to the advisability of enlarging the pledge. I have a call in for Mr. Arey at Exim and will try to keep you posted on any progress from this side.

The final communiqué also emerged from the high level conversations with substantial changes from the U.S. draft which I had prepared. Paragraphs 3 and 6, in particular, underwent significant changes. In the latter, which was inserted at the request of Mr. Vernon and Mr. Waugh, a reference to the desirability of further efforts in the direction of increasing competition was eliminated. The former paragraph went through several versions on the U.S. side, with Treasury taking the lead in limiting the references to *private* capital; eliminating the reference to continuing *negotiations* and to assistance of the Government, etc. The paragraph finally included is much closer to the version originally prepared by the HA.

The copy to Ben Moore of your memorandum [4] to him hasn't reached his office yet, but I will watch out for it. Your idea of instructing USRO on the Danish approach seems like a good one, and I will see what can be done when we have had a chance to read your memorandum.

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[3] Not printed. Telegram Edcol 110 to Paris, Apr. 23, summarized the points incorporated in the loan agreement which were agreed to after Robert Eisenberg left Washington to return to Paris. (850.33/4-2354)

[4] Not further identified.

The arrangements for the signing of the agreement required a great burst of speed, typing late into the night on Thursday, proofreading until a half hour before the signing, etc., but the ceremony went off reasonably well, I thought. Immediately afterwards, I was intensively occupied with the preparations for the OEEC meeting, but have now returned to more normal round of activities.

I am glad to hear that your leave orders are all set, and look forward to seeing you again soon.

Kindest regards,

LOUIS C. BOOCHEVER, JR.

No. 217

Bruce Mission files, lot 57 M 38, "U.S. Loan—Implementation"

Louis C. Boochever of the Office of European Regional Affairs to Robert Eisenberg of the Office of the United States Representative to the European Coal and Steel Community, at Luxembourg

LIMITED OFFICIAL USE [WASHINGTON,] May 12, 1954.

DEAR BOB: I enclosed a copy of the April 23 press release in my last letter, [1] so I assume you are now *au courant.*

I am puzzled, however, by your request since you should have received the text by priority telegrams Edcol 108 to Paris of April 22 repeated 125 to Luxembourg, [2] and Edcol 109 to Paris of April 23 repeated 126 to Luxembourg. [3] In fact, we made quite an effort in the last hectic hours of the negotiations to get the text to you and others before it appeared in the press, and I am disappointed that we seem to have missed connections somehow. The phrase which you mention seeing in the French press is the last sentence of Edcol 108.

On looking over my letter to you of May 10, I see that my brief paragraph about the origins of the text of the release is not at all clear. By way of further explanation on the text of the release that finally emerged, you will recall that M. Monnet discussed a High Authority draft with General Smith and Secretary Humphrey. Subsequently, I tried my hand at a U.S. draft, which was cleared by RA and various people in the E area. This draft was later revised to incorporate language on restrictive practices, which had not been touched on in my draft, and to modify the wording on coal restrictions, in accordance with some drafting by Ray Vernon. Also, Mr. Waugh had received suggestions from Treasury which had to be incorporated in the revision. Mr. Waugh then discussed the revised U.S. draft with Mr. Monnet, and possibly others, and reached agreement with the HA on a modified version.

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[1] *Supra.*

[2] Not printed, but see Document 212.

[3] Not printed; it confirmed that the loan agreement would be signed on Apr. 23 at 3:30 p. m. with only one change in the text that had been transmitted in telegram Edcol 108 of Apr. 22. (850.33/4-2354)

In the course of this negotiating process, certain elements that our side was sponsoring were modified. In particular, the paragraph which had been introduced on restrictive practices lost part of its concluding sentence. The last sentence in the U.S. version ran as follows, with the dropped section being underlined: [4]

> "It was recognized in the discussions that considerable progress has been made in this direction over the past year *and that further progress is needed in order fully to achieve the objectives of the Community.*"

In the paragraph on coal import restrictions, the clause which now states that the "removal of such restrictions is not precluded by any provisions of the Community's Treaty" disappeared for a time. Mr. Waugh subsequently called Mr. Monnet and secured agreement on the insertion of this phrase at the last minute, but the paragraph on restrictive practices was left in the truncated form which appears in the release. I can understand your feeling that it would have been better to omit the reference entirely.

With respect to the reference to *private* capital, you will recall that the HA draft stated that "The U.S. and the HA in continuing negotiations will together seek new means by which, with the assistance of the Government, the mobilization of capital for such investments can be promoted without increasing the burden on the American taxpayer." As far as I can find out there was no detailed discussion of the meaning of this paragraph. On checking the various drafts which I have, I am quite sure that the insertion of the word "private" was at the request of the top echelon in Treasury, the idea being to make explicit what seemed to be implicit in the HA's draft. In the final release, you will see that the reference in one sentence is to "capital" being encouraged to provide investment funds, while the sentence on continuing negotiations refers to "private capital". Presumably, this represented a compromise between the U.S. and HA proposals.

I will enclose some of the earlier drafts of the press release to give you a better idea of the evolution.

In Edcol 110, [5] and in my last letter, I mentioned the studies that are to be undertaken on the advisability of enlarging the pledge in the loan agreement. I find that I have been mistaken in thinking that the responsibility for this study rested with Exim Bank on the U.S. side. In the agreement, the language was changed very late in the game to say that the U.S., (rather than Exim Bank) would do the studying. Treasury is assuming the leadership on the U.S. side, in view of Mr. Humphrey's special interest in the issue, and I expect that they will have some views to try out on us before long. George Bronz is working on the problem in Treasury.

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[4] Printed here as italics.

[5] See footnote 3, *supra*.

One further bit of information re the loan is that IBRD has expressed some concern at the covenants included in the loan agreement in relation to the possibility of the IBRD lending to the HA at some future time. They believe that they would have difficulties with the "enlarged pledge" and that the U.S. might have to grant a waiver to its agreement in order for the High Authority to receive a loan from the IBRD which would have to be guaranteed by member governments—i.e., one in which more favorable terms were extended to the IBRD. I have not seen the written comments of IBRD as yet, and will try to comment further when I do, but I am not convinced that the problems which they raise are too serious.

Apart from the loan, you will sooner or later get a request to follow up on the instruction to Stockholm, repeated to Luxembourg, re Sweden's uneasiness about its future ore exports to the Community. Also, we had a Departmental session this afternoon on U.K. association, and I will struggle with a message on that subject over the next few days. Ruth Phillips will do up an instruction for USRO dealing with the export cartel.

[Here follows a paragraph of personal remarks.]

Sincerely,

LOUIS C. BOOCHEVER, JR.

No. 218

850.33/5-1354: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

LIMITED OFFICIAL USE PARIS, May 13, 1954—6 p. m.

Coled 240. Subject: European Coal and Steel Community.

1. Annual meeting of Common Assembly [2] opened Tuesday and unanimously elected De Gasperi as President to succeed Spaak.

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[1] Repeated to London, Bonn, Rome, The Hague, Brussels, and Luxembourg.

[2] The Second Ordinary Session of the Common Assembly of the European Coal and Steel Community met in Strasbourg, May 11-19. This series of meetings was

Continued

Italian observers believe De Gasperi's election will greatly enhance his prestige in Italy and might make it possible for him to speed up drive for EDC ratification in Italy.

2. Monnet reported yesterday on developments of last year. He emphasized Common Market has become reality without leading to catastrophic economic effects foretold by some critics. He promised energetic action against existing cartel organizations and excessive concentrations including possibly Charbonnages de France. He assured several times that labor interests being protected and outlined measures to this effect including allocation 25 million dollars for workers' housing out of US loan. He described American loan as manifestation of political and economic credit of community. No further details given as to lending policy of High Authority. Discussion on report begins today.

3. Have returned this morning to Paris in view Saar discussions between French and Germans scheduled for today.[3] Plan to be in Strasbourg for Council of Ministers meeting next Tuesday.

BRUCE

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followed by the first part of the Sixth Ordinary Session of the Consultative Assembly of the Council of Europe, which met in Strasbourg May 20–29; both assemblies held a joint meeting on May 20–21. For a record of the meetings of the Consultative Assembly, see *Minutes of Proceedings* (Strasbourg, 1954) and *Official Report of Debates* (Strasbourg, 1954). A summary of the joint meeting of the Common Assembly and Consultative Assembly was transmitted to the Department of State in despatch 237 from Strasbourg, May 21. (740.00/5–2154)

[3] For documentation concerning Saar negotiations, see vol. v, Part 2, pp. 1370 ff.

No. 219

RA files, lot 58 D 374, "Trade & Payments General—1954"

Memorandum by Louis C. Boochever of the Office of European Regional Affairs to the Director of the Office (Moore)

[WASHINGTON,] July 30, 1954.

Subject: Some Economic Trends in Western Europe.

Industrial Production

Industrial production in the OEEC area rose substantially in 1953 after having leveled off in 1952. The OEEC index (1950—100) reads as follows:

1938	82
1948	80
1949	90
1950	100
1951	109
1952	110
1953	116

In the fourth quarter of 1953 there was an especially strong rise in industrial production—the index reaching a peak of 128 in November. Production in the first four months of 1954 continued at the high levels of the previous quarter (av. 123) and far surpassed the level of the first four months of 1953.

The pattern, as among different branches of industry, in 1953 showed a leveling off in production of investment goods, accompanied by a marked recovery in the textile and chemical industries, and a continuing strong upward movement in the production of motor vehicles and cement. (1953 saw a boom in housing construction.)

In the early months of 1954, coal and steel production was at about the same level as in the comparable period of 1953; motor vehicle production showed signs of continuing to rise rapidly; electricity and cement production were well ahead of 1953; and textile production generally (though not wool yarn) were holding the gains made in the last quarter of 1953.

The growth of production in 1953 was most marked in Greece, Germany, Italy, and the Netherlands, although the production index in the U.K. was also up in 1953 to 106, compared with a 1952 figure of 100. Belgium and France showed some retrogression during the year. Austria, Denmark and Sweden made slight total gains, although production in both Austria and Sweden rose sharply in the fourth quarter of 1953. In general, the trends noticeable in 1953 seem to be continuing in the first quarter of 1954, with the U.K. index holding up well at the high levels achieved in the fourth quarter of 1953. The U.K. index for the first four months of 1954 averaged 113, compared with 106 for the whole of 1953.

Agricultural Production

Harvests were very good in most European countries in the 1953/54 crop year, and total agricultural production continued its upward movement. The OEEC index (pre-war average—100) reads:

1947/48	86
1948/49	97
1949/50	104
1950/51	110
1951/52	114
1952/53	117
1953/54	122

The good harvest, with resulting increased rural purchasing power, appears to have been an important element in supporting the high level of demand for industrial production during 1953.

Trade and Payments

There was a general expansion in Western Europe's trade in 1953 reflecting the recovery in production and demand in Western Europe and the relaxation of import restrictions in the overseas sterling area and in Latin America. In the latter areas, a rise in exports permitted increased foreign purchases, which in turn stimulated both production and trade in Western Europe.

The trade balance of Western Europe also continued to improve during 1953. The monthly average trade balance for the OEEC area with the rest of the world is as follows: (millions of U.S. dollar equivalents)

1947	$685
1948	642
1949	500
1950	367
1951	543
1952	418
1953	319

The trade balance with the U.S. and Canada also showed a marked improvement, owing both to a decline in the value of Europe's imports and an increase in its exports. The trade deficit was reduced from $254 million (monthly) in 1952 to $126 in 1953.

Taking account of all "civilian" items in the balance of payments, Western Europe was almost exactly in balance with respect to gold and dollar transactions, a surplus in the sterling area offsetting a deficit on the continent. Western Europe's gold reserves and dollar holdings increased, however, by about $2.5 billion during the year, with U.S. financial assistance and military purchases of goods and services each accounting for about one half of the increase.

In the first quarter of 1954 there is apparent some weakening in the volume of exports to the U.S. and Canada, compared with the previous quarter or with the first quarter of 1953, while imports from the U.S. have remained steady. The resulting moderate increase in the trade gap has been very small, however, in relation to Europe's extraordinary dollar earnings, so that Europe continued to earn gold and dollars in the first quarter of 1954 at a rate of $2 billion annually.

The improvement in Europe's external balance has reflected a marked improvement in Europe's terms of trade in 1952 and 1953 and the increase in agricultural output which permitted some import saving, as well as the extraordinary U.S. expenditures and the revived demand from certain third areas.

Prospects

A recent study of economic conditions in Western Europe lists the following elements of strength sustaining the European economy: (a) the high level of U.S. extraordinary expenditures, which is still increasing; (b) the momentum of the housing boom; and (c) the backlog of orders for industrial and transportation equipment.

Some less favorable factors are cited as follows:

> "Defense production in Europe has levelled off and is likely to decline. The order backlog is being reduced. Current trends in European economic policy are to reduce government subsidies for housing construction and public investments in industry and public utilities. There is a danger that this decline will not be compensated for by increased private investment if the confidence of European businessmen is shaken by the US recession and price and profit expectations decline."

The ECE *Economic Bulletin for Europe*, Fourth Quarter 1953, while commenting on the favorable developments in automobile production, textiles, etc., notes a general weakness in the industries producing machinery and other capital goods, which has reflected itself in the European steel industry.

It also points out that considerable additions to steel capacity are coming into use, particularly as the result of heavy investment in continuous ship mills.

With respect to the trade and payments portents, the ECE calls attention to the need for new trade stimuli if Europe's exports to overseas countries are to be increased, or perhaps even maintained. It speculates that the demand from this area has been influenced by a temporary building up of inventories. Also, if prices of primary products continue to weaken, there is likely to be a lagged response in a weakening demand for manufactured goods from the countries producing these products. In addition, the drop in volume of total U.S. imports (of 7% in the last quarter of 1953 compared with the corresponding quarter of the previous year) appears to be greater in the first quarter of 1954. Although Europe's exports have so far suffered relatively lightly, the fourth quarter decline in Europe's exports of metals and manufactures is considered an early reflection of the decline in American demand.

The ECE also, however, calls attention to the rise in gold and dollar reserves which has been taking place, and notes the influence of the extraordinary U.S. dollar outflows.

No. 220

RA files, lot 58 D 374, "Trade & Payments—Germany"

Memorandum by Ruth H. Phillips of the Office of European Regional Affairs to the Deputy Director of the Office (Palmer) [1]

OFFICIAL USE ONLY [WASHINGTON,] August 18, 1954.

Subject: Senate Report on the Mutual Security Appropriations for 1955 as it relates to the European Coal and Steel Community.

This is to call your attention to the report of the Senate Committee on Appropriations on the Mutual Security Appropriation Bill, 1955, directing the Administration against using any funds this year for an additional loan to the European Coal and Steel Community. On Page 5 of the Senate report, Number 2268 of August 5, the following statement on the European Coal and Steel Community appears:

> "It has been brought to the attention of the committee that the European Coal and Steel Community has circumvented and delimited markets of United States coal producers.
>
> "The United States coal industry is at present in a depressed condition and the committee does not favor additional loans to the European Coal and Steel Community. While there are no funds earmarked for this purpose in this year's appropriation in order to protect the export coal markets of the United States producers, the Administration is directed not to transfer funds from other sources for the granting of any additional loan to the European Coal and Steel Community."

I understand that at his appearance before the Senate Committee on Appropriations, Mr. Stassen was asked several questions regarding discrimination against American coal by countries of the

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[1] Copies were also sent to Yoder, Lyons, Barnett, Fidel, Corbett, and Boochever.

European Coal and Steel Community. Both Belgium and the Federal Republic of Germany have taken steps in recent months to prohibit the direct import of coal from the United States, although U.S. coal has been reaching these countries indirectly through other Community countries, primarily the Netherlands. Department negotiations with Belgium and Germany requesting a more liberal import policy on U.S. coal have so far been unsuccessful. Indeed, a report has reached us that Belgium and the Netherlands may now have a gentleman's agreement curtailing or eliminating the re-export of U.S. coal from the Netherlands to Belgium. We are currently proposing to raise the question of discrimination against American coal at the next GATT meeting this fall, if this situation continues.

Belgium's coal industry is in a depressed condition and it is reported that many mines require special help in the form of subsidies and other protection from the Government to keep going. The High Authority of the CSC is now studying the Belgian coal situation and is expected to issue a report shortly on the industry and the steps it considers necessary to make it competitive with the other coal producers in the Community. At the same time, the coal industry in the United States is also in a distressed condition and U.S. coal producers have been making heavy representations to the Administration and the Congress on the limitations on U.S. coal exports imposed by some European countries. In response to the situation in this country, FOA has announced that it plans to export 10 million tons of American coal to be used instead of dollar aid, in the same way certain surplus agricultural commodities have been used abroad. This will be in addition to commercial exports of U.S. coal.

Last year FOA financed the export of 1.3 million tons abroad, on a world-wide basis. A total of 14.4 million tons of American coal, including FOA financed coal, was exported on a world-wide basis last year, of which 8.5 million tons went to Europe. The rate of U.S. coal exports to Europe this year remains approximately the same as last year. An indication of the competitiveness of U.S. coal, due partly to low shipping rates, is the recent request of the United Kingdom for 200 thousand tons of American coal for September on the grounds that U.S. coal is a better buy than European coal. This request from the United Kingdom comes after a long period during which the UK had abstained almost completely from using American coal. Additional demands for U.S. coal from the United Kingdom are anticipated by FOA. It has not yet been determined how much of the 10 million FOA-financed coal will be allocated for European countries, but the Missions have been informed of the overall goal.

No. 221

Bruce Mission files, lot 57 M 38, "U.S. Loan—Implementation"

Louis C. Boochever of the Office of European Regional Affairs to Robert Eisenberg of the Office of the United States Representative to the European Coal and Steel Community, at Luxembourg

OFFICIAL USE ONLY
OFFICIAL–INFORMAL

WASHINGTON, September 8, 1954.

DEAR BOB: Sorry I missed you on your return through Washington. I hope your vacation was a great success, and that you are all invigorated to do battle again for Uncle Sam.

As is all too obvious, the Department is currently engaged in a post-EDC reexamination of our European policies and tactics in the wake of the sinking of the EDC. I suspect you have at least as good an idea where this may be heading as we do here at the working level. For the time being, I am taking my cue on our attitude towards European integration and European organizations chiefly from the following paragraph in the Secretary's comment on the defeat of the EDC: [1]

> "The United States stands ready to support the many in Western Europe who, despite their valiant efforts, are left in grave anxiety. We need not feel that the European idea is dead merely because, in one of the six countries, a present majority seems against one of its manifestations. There is still much on which to build and those foundations should not be shaken by any abrupt or any ill-considered action of our own."

To my mind this implies that we should continue to support and assist the unifying forces and institutions within Europe, among which the CSC is preeminent. RA is also proposing in the reexamination process that we maintain our emphasis on economic and political integration wherever practicable, despite the collapse of EDC.

Our CSC relations are currently complicated, to say the least, by the European restrictions on imports of U.S. coal, coinciding with a continuing depressed condition in the U.S. coal industry. Ruth is following closely the FOA plan to dispose of 10 million tons of U.S. coal abroad and is writing you on its current status.

One matter I want to call to your attention is the forthcoming review in the GATT of the CSC operations as they relate to the

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[1] For the complete text of this statement by Dulles on Aug. 31, see Department of State *Bulletin*, Sept. 13, 1954, pp. 363–364.

GATT waiver.[2] The CSC members are required under the waiver to submit an annual report to the GATT on the measures taken towards the full application of the Treaty. Last year's report was rather perfunctory, giving cursory attention to the issues of special interest to the other Contracting Parties—particularly those dealing with exports and imports of the Community, tariffs and quotas, export cartel activity, etc. Also it was suggested by the GATT that the report would be more useful if extracts of principal legislative and administrative measures were annexed to the report, rather than a mere list of such actions. Given the general uncertainty about progress towards European unification, the uneasiness of various CP's about the CSC, and U.S. concern over the coal imports and cartels, a solid and effective presentation by the CSC members of their accomplishments, problems and intentions, could be especially helpful at this time. It would probably be useful to discuss the report with the High Authority staff to see how it is coming and to register the U.S. interest in it.

You will notice from an instruction which is en route (to Bonn, repeated Luxembourg and Paris) that we may be raising the question of the German coal restrictions in the GATT session. The general issue of Belgian dollar restrictions will be carried over on the agenda as a continuation of last year's item, and their coal restrictions will come up at that time.

Another development of interest is that the U.S. GATT delegation this year will include Congressional representatives. Three of these have now been named—Representative Simpson of Pennsylvania, and Senators Gore and Cooper of Tennessee. All three have a keen interest in the U.S. coal industry and exports, and can be expected to follow carefully the CSC performance.

Treasury is pressing the question of availability of local currencies for the CSC loan, and messages have gone to The Hague and Bonn, inquiring about currency availabilities. I have asked that these communications be repeated to Luxembourg (Bruce Mission) and Paris Edcol, so they should reach you eventually, although belatedly.

Incidentally, we have checked on the question of message indicators, and have been informed that we cannot use the Edcol tag for messages to Luxembourg because a count of the communications to Luxembourg has shown that the volume of traffic does not warrant a special series. For the time being, I will continue to label items for Luxembourg with "for Bruce Mission", but I am not sure whether we will be allowed to continue this practice. The communications people here say that you should be able to arrange with the Luxembourg Legation to secure prompt distribution on all messages relating to the CSC, coal, steel, or other topics of special interest to you. I understand that this question of distribution has plagued you a bit, but hope that you can work out a satisfactory system with the Legation.

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[2] This is a reference to the Ninth Session of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT), which was scheduled to meet in Geneva, Switzerland, beginning Oct. 28, 1954.

Returning to the loan, has there been any further word on the open-end pledge? We would also be interested in knowing whether there has been any reaction in the European business community or elsewhere to the High Authority's statement on its lending and financial policies. Dave Richardson of FOA is coming over tomorrow or Thursday to propose some reporting procedures under the loan agreement, which you will recall were left open. You will probably hear from us on this matter, after a normal bureaucratic lag to permit clearances, etc.

Here in RA, a leading development is that Bob Barnett has come in to take Miriam Camp's former position as Officer-in-Charge of Economic Organization Affairs. Bob was formerly Economic Adviser in WE and before that had a distinguished career in Far Eastern Affairs. We are lucky to have acquired such a talented and congenial boss.

[Here follows a paragraph of personal remarks.]

Kindest regards,

LOU

P.S. Please give my best to Stan Cleveland, and relay to him any of the above thoughts that you think he would want to be in on.

No. 222

Bruce Mission files, lot 57 M 38, "U.S. Loan—Implementation"

Robert Eisenberg of the Office of the United States Representative to the European Coal and Steel Community to Louis C. Boochever of the Office of European Regional Affairs [1]

LIMITED OFFICIAL USE
INFORMAL

[LUXEMBOURG,] September 22, 1954.

DEAR LOU: Thank you very much for your letter of September 8th [2] which was very informative and helpful. I am glad to hear that the Boochevers are expanding and wish your wife the best of luck.

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[1] A copy was sent to Tomlinson.

[2] *Supra.*

It seems to me that I have met Bob Barnett some several years ago, before I left for London, and I dare say I am pleased to see him at Miriam's desk. Perhaps he will find an opportunity of coming over here to see how things go.

The fact that Mr. Dulles has repeatedly stressed U.S. interest in the continuation of the European integration effort has made a very good impression here. The High Authority, in a way, is forced to demonstrate to the world that the rug has not been pulled from under their feet but that they continue to do what the Treaty intended. Whether this will mean a more courageous approach to problems involving national interests or a more careful one, only the future can tell. I have the impression that they are uncertain as to the attitude of the French Government to the CSC.

We have not received the letter which Ruth was promising with regard to the FOA plan to dispose of 10 million tons of coal. I wish you could make sure that FOA gets full benefit of the Department's advice when the interests of any of the six countries are involved, directly or indirectly. Fortunately, it has been made clear that the coal would not be sold at $10 in Europe but at $10 plus freight. It might become desirable for us to cooperate with the High Authority to some extent in connection with any plans to dispose of coal in the CSC.

The report on CSC for the GATT meeting is now being prepared and I hope to get a copy soon. I have suggested to Mr. Tomlinson specific steps to be taken by us to assure that the GATT meeting speeds up the High Authority's work on cartel questions and hope that our suggestions will find the approval of the Department.

The question of the German coal restrictions appears now in a new shape. According to reports from Bonn and The Hague, the Germans permit the import of about 2 million tons of U.S. coal per year provided they can pay for it in soft currencies. This should be a honey for our confrères in OFD and Treasury.

Several memos and telegrams have been written by me dealing with the U.S. loan, etc. etc., and I trust you are receiving Ben Moore's copies promptly.

With regard to messages for our Delegation, there should be no difficulty to obtain copies of telegrams, although sending cables to the Legation marked "Bruce Mission" speeds up the transmittal to us and is therefore desirable. In instructions, however, and any other pouched material, you should make it a point to write "For Bruce Mission" to avoid the material from being sidetracked or delayed as a result of some mistake in handling.

Luxembourg is already deep in the cold season, in fact they never had a summer this year. However, life is quite tolerable and I am ready to stay on even beyond April 1955 when my reserve assignment ends, provided that the Department desires so and transfers me permanently into the FS. Otherwise, the job is yours and you can have the house too.

With kindest regards,

Sincerely,

ROBERT EISENBERG

No. 223

740.00/9-2254: Telegram

The Consul at Strasbourg (Andrews) to the Department of State [1]

CONFIDENTIAL STRASBOURG, September 22, 1954—3. a. m.

56. Mendes-France's speech before Consultative Assembly [2] was no success. Assembly, predisposed suspect and mistrust Mendes as "anti-European", was visibly not impressed by speech which was generally unclear on all critical points, disjointed, uninspired and uninspiring. None of his remarks called forth any expression of approval and applause at end of his address was spotty and perfunctory. Even Prime Minister's entourage privately acknowledged that speech had failed secure support for French proposal.

Criticism of Mendes plan voiced in subsequent speeches by Teitgen and Mollet underlined weakness French position. "Pro-European" parliamentarians with whom we talked were discouraged. They saw little chance France play any constructive role in immediate future. Gerstenmaier, German Christian Democrat, was particularly emphatic in his disapproval Mendes proposals, stating privately, "This is no basis for us, absolutely not, no basis".

Opinion in assembly naturally divided. Struye and Fens told us this morning that proponents European integration disappointed over speech and vice versa for others. However, former said he approved speech on ground it would eventually permit German incorporation in NATO. Fens believed Mendes-France would do everything possible prevent any form German rearmament and that his purpose in London [3] would be advance such unacceptable propositions that he would be able tell National Assembly he had done his best for France.

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[1] Repeated to Paris, London, Brussels, Bonn, and The Hague.

[2] The second part of the Sixth Ordinary Session of the Consultative Assembly of the Council of Europe met in Strasbourg Sept. 13–24. For a record of these meetings, see *Minutes of Proceedings* (Strasbourg, 1954) and *Official Report of Debates* (Strasbourg, 1954).

[3] This is a reference to the Nine-Power and Four-Power Conferences scheduled to meet in London beginning Sept. 28; for documentation concerning the London Conference, see vol. v, Part 2, pp. 1294 ff.

In press conference following his address, Mendes in response to various questions repeatedly disclaimed any intention of advocating neutralist position and emphasized necessity for strengthening Atlantic solidarity. He declined, however to discuss German entry into NATO or provide any details of his plan for German rearmament.

ANDREWS

No. 224

840.00/9-2254

Memorandum of Conversation, by Robert W. Barnett of the Office of European Regional Affairs

CONFIDENTIAL WASHINGTON, September 22, 1954.

Subject: Visit from OEEC Officials Attending IMF and IBRD Meetings [1]

Participants: Mr. Livingston T. Merchant—Assistant Secretary, Bu. of European Affairs
Ambassador Attilio Cattani—Chairman of the Executive Committee, OEEC
Mr. H. J. B. Lintott—Deputy Secretary General
Mr. M. J. Cahan—Director, Trade and Finance of the OEEC Secretariat
Mr. Francois Corbasson—Head of the OEEC Mission, Washington
Mr. R. W. Barnett—RA

Ambassador Cattani said that he and his colleagues were in Washington primarily to represent the interests of the OEEC during the meetings of the Fund and the Bank but that they felt that it was important that they obtain, while here, some general indication of my thinking at this juncture about the European situation and about the work and future of OEEC. He said that he believed that he was aware of the gravity, variety, and urgency of the problems that we faced at this time. The OEEC was, he said, keenly conscious that political and economic developments had a direct impact upon its future work and usefulness. It was also convinced that its own work in the economic field was having significant influence upon what in the political and military field could prove practical.

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[1] The Ninth Annual Meetings of the Board of Governors of the International Bank for Reconstruction and Development and the International Monetary Fund were scheduled to meet in Washington, Sept. 24-29, 1954.

I told the Ambassador that I was, at this time, particularly grateful for solutions to European problems which OEEC was finding, and that we were, if anything, more than ever before interested in the success of efforts being made by OEEC to achieve effective intra-European cooperation. I said that we regarded the action of the French Assembly in rejecting EDC as a set back and not a defeat for the idea of European integration.

Ambassador Cattani then outlined briefly the present activity and the outlook for OEEC. He mentioned the OEEC annual review, the work of the Deputies of the Ministerial Working Group on convertibility, and the work of the Working Group on trade liberalization. He observed, in passing, that the general economic situation in Europe appeared to be very satisfactory. When the Ministers meet—at a time still undetermined but toward the end of the year—it will be considering the results of the convertibility and trade liberalization studies, the problem of Italian development programs for the south, the problem of the relationship of Green Pool to the OEEC, amongst others.

My own comments on Mr. Jacoby's participation in the OEEC analysis of the US submission to the annual review, the relationship of the OEEC and NATO annual reviews (which Ambassador said was entirely satisfactory), and transport studies led Ambassador Cattani to remark that it was gratifying to see that the work of the OEEC was being followed and taken seriously here in Washington. I assured him that this was certainly the case.

I then said that I felt certain that Ambassador Cattani and his colleagues would wish to obtain from Assistant Secretary Waugh a general report on the intentions and the plans of the Administration to obtain action on the Randall Commission's recommendations. [2] Speaking generally, I said that I could give assurances that the Administration would press forward with a constructive legislative program next year. Ambassador Cattani said that he was glad that I had raised this problem. Europeans, he said, were profoundly distressed by the President's decision on the Swiss watch case. His colleagues observed that the impact of that case may even have been more severe outside than within Switzerland since it emphasized Europe's principal complaint against U.S. trade policy. This is not so much that tariffs are high, but that their level and application are unreliable and that the protectionist practices of the

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[2] The memorandum of this conversation with the Deputy Assistant Secretary of State for Economic Affairs, Thorsten V. Kalijarvi, which took place on Sept. 29, is in RA files, lot 58 D 374, "OEEC—General 1954".

United States cannot be anticipated. I said that I was aware of the alarm caused by the watch decision, but I believed its significance may have been magnified by those who attached insufficient importance to the President's decision on lead and zinc and to other developments which should have reassured those who feared abandonment of the broad lines of our stated commercial policy objectives.

Ambassador Cattani, at several points through our conversation, spoke of the situation in France and the relationship between its economic problem and its foreign policy. He believed that Mendes-France had begun to make use of his decree powers in the field of economic reform, even though no definite indication could yet be found whether he intended to reform first and protect the interests of those wounded in the process afterward, or vice versa. He said in connection with the French role at Brussels that we may have tried to accomplish too quickly objectives which were too high, and that the results of that meeting showed the dangers inherent in excessive urgency and inadequate preparation.

I told Ambassador Cattani that tomorrow I would be crossing the Atlantic for the third time in eight days and that we would be participating in the London meeting with the hope that we could find solutions to political and military problems which would advance the cause of European cooperation. The Ambassador and his colleagues expressed the hope that the meeting would take account of the interests of all concerned and would have a successful outcome.

No. 225

850.33/9-2354: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

CONFIDENTIAL PARIS, September 23, 1954—1 p. m.

Coled 39. Subject is CSC. Reference: Coled 35. [2]

1. Monnet and Spierenburg appear somewhat disappointed by the talks with Sandys. Any concrete step such as lowering of tariff

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[1] Repeated to London, Luxembourg, The Hague, Rome, Bonn, and Brussels.

[2] Not printed; it informed the Department of State that Duncan Sandys had been appointed to head the British negotiating team in conversations with the High Authority for the purpose of working out British association with the Coal and Steel Community. Bruce reported that the British sought to help the Europeans build quickly on the basis of existing institutions, in light of the rejection of the treaty for the European Defense Community, in order to maintain the idea of continental federation. (850.33/9-1354)

on steel was declared by Sandys to be out of question at this time, though he did not exclude future possibility of such measure. High Authority nevertheless intends pursue informal negotiations on pattern and purpose of association.

2. Under circumstances Spierenburg now expects following to be agreed with British:

a. Council of association to be set up. In addition, UK Minister would participate in meetings of Council of Ministers of CSC whenever questions of common interest arise.

b. Constant consultation and exchange of information; coordination of measures to be taken in periods of crisis, with provision for independent action in case other party refuses to take joint measures. Possibility of achieving association of markets by successive steps would be studied. Despite British reticence, High Authority would pursue its proposals for tariff reductions and coordination of commercial policies to be attained without establishment any preferential system.

3. Spierenburg believes that association relationship as now envisaged would have little effect on coal trade between CSC and UK. He does not expect UK to expand coal exports, even though British coal prices will remain below continental level in future. British would, however, assure or be assured of minimum volume of coal deliveries to CSC in periods of shortage or over-production.

4. Spierenburg likewise expects association to have little immediate effect on steel trade. He understands that British steel industry is now asking for assurances against dumping in British markets but no longer fears normal competition from CSC. High authority appears prepared to agree for time being to continuation by UK of dual pricing for coal and steel, but will request assurances that in exports to CSC no discrimination will be made buyers. In case of special steels, no dual pricing is said to exist. Spierenburg hopes that UK can eventually be prevailed upon to adopt major marketing rules worked out by CSC. As concerns trade with third countries, it would remain strictly outside scope of association agreement.

5. High Authority plans to obtain full agreement with UK by day of informal talks. Prior to opening of formal negotiations, High Authority would contact CSC member states to obtain their advance approval. Formal agreement would then be reached with UK during Monnet's London trip, with date still undecided.

Bruce

No. 226

850.33/10-154: Telegram

The Deputy United States Representative to the European Coal and Steel Community (Tomlinson) to the Department of State [1]

CONFIDENTIAL PARIS, October 1, 1954—8 p. m.

Coled 43. Reference Coled 40. [2] Subject is CSC.

1. We do not yet have full details on understanding reached earlier this week between Monnet, Spierenburg, and Etel on one hand, and Sandys and Weir on other hand, during informal talks in Paris on UK association. However, substantial agreement was reached on major points along lines considered satisfactory by High Authority representatives.

2. On basis our information, it appears institutional framework for association relationship would consist of council of association designated by UK Government and High Authority and reciprocal diplomatic representation between Luxembourg and London. Council would be entrusted with making proposals for future development of institutions of association, particularly re mechanism for settlement of differences that may arise and establishment of forum for public discussion. Council would conduct continuing consultation on matters of common interest such as evolution of coal and steel markets, labor conditions, long-term demand surveys, competitive conditions, as well as coordination in establishment of common research programs and general modernization objectives. Prior taking any unilateral action re price fixing, quotas, allocation, or other protective measures, UK or High Authority would inform other party, which could request discussion in council and propose joint action. Reasonable delay would be given to permit other party to participate in joint action or itself take unilateral measures. Council would also examine tariffs, trade and exchange restrictions, subsidies, etc., and would have power make recommendations on reduction or elimination of trade barriers between UK and CSC and on price system to be applicable to such trade. Council would be required have due regard third country interests, including special UK relationship with Commonwealth.

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[1] Repeated to London, Rome, Brussels, The Hague, Bonn, and Luxembourg for Bruce.

[2] Not printed; it reported that the High Authority had informed the member governments of the Coal and Steel Community by letter that informal talks of a purely preliminary nature were being held with British officials for the purpose of exploring possible bases for agreement on British association with the Community. (850.33/9-2854)

3. Above is still tentative and several points remain to be negotiated; of course, formal High Authority approval is also yet to be obtained. In this connection, Monnet has commented to me that he may wish to reopen certain points in light of Eden's statement to London conference and developments affecting Brussels treaty organization.[3]

4. Above information should not be discussed with UK or CSC Government representatives. Substance of understanding reached with UK during informal Paris talks is not expected to be communicated to CSC member governments before a number of days and not before formal High Authority approval.

TOMLINSON

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[3] This is a reference to Eden's Sept. 29 statement during the Fourth Plenary Meeting of the Nine-Power Conference in London; for the text of Eden's statement, see Department of State *Bulletin*, Oct. 11, 1954, pp. 525–526. For text of a telegraphic summary of the Fourth Plenary Meeting on Sept. 29, see vol. v, Part 2, p. 1311.

No. 227

850.33/10–554: Telegram

The Secretary of State to the Office of the United States Representative to the European Coal and Steel Community, at Paris[1]

CONFIDENTIAL WASHINGTON, October 27, 1954—5 p. m.

Edcol 36. Paris Coled 39[2] Coled 40[3] Coled 43[4] London 1745.[5] Department welcomes indications that British wish lend further support European integration through association with CSC (London 1745). Believe such association desirable as additional evidence UK intends close ties with continent and as assist to successful operation CSC. While direction of futher measures European integration somewhat uncertain at this time consider important CSC, as example advanced action towards integration, should have all possible opportunity prove successful.

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[1] Drafted by Boochever, cleared in draft with Palmer, Fidel, Blake, Frank, and Barnett, and repeated for action to Luxembourg and London and for information to Bonn, Brussels, Rome, and The Hague.

[2] Document 225.

[3] See footnote 2, *supra.*

[4] *Supra.*

[5] Not printed; it reported that the British were still interested in association with the Coal and Steel Community as a measure of their support for European integration. The British believed that even though the treaty for the European Defense Community was not ratified, the Coal and Steel Community could stand alone and that their association with it would contribute to European integration. (850.33/10–554)

As further information becomes available on negotiations would appreciate clarification following points:

(a) Is UK association now conceived as unique or as model for CSC relations other European countries? Is it contemplated others would eventually be admitted to council of association described Coled 43?

(b) Re proposal to assure deliveries of UK coal to CSC in periods of shortage or overproduction (Coled 39), how would such assurances be reconciled with GATT obligations of non-discrimination on part CSC and UK? Wish keep closely informed this aspect.

(c) Does UK unwillingness lower tariff on steel (Coled 39) stem from fear of competition from continent or reluctance generalize concession to other areas at this time?

(d) Also interested any further indication Monnet's view of impact London conference on association arrangements mentioned para 3 Coled 43.

DULLES

No. 228

850.33/10-3154: Telegram

The Deputy United States Representative to the European Coal and Steel Community (Tomlinson) to the Department of State [1]

SECRET LUXEMBOURG, October 31, 1954—1 a. m.

39. From Bruce mission. Reference Edcol 36. [2]

1. Spierenburg and Daum, members of High Authority, met last week with Mendes-France and Ulver to discuss proposed agreement on association between UK and coal and steel community. Mendes was sharply critical of agreement, stressing that no concrete UK concessions on prices and tariffs had been obtained and that institutional arrangement proposed might prejudice French efforts to use future negotiations under Paris agreements to obtain greater UK integration with continent.

2. At meeting of Council of Ministers in Luxembourg, Ulver insisted on postponing even exploratory discussions of proposed agreement. Under pressure from other governments, Ulver agreed to charge coordinating committee of representatives of Ministers of six governments to study draft agreement beginning November 12 to complete report for special council meeting on November 22. High Authority has informed UK representatives of necessity to postpone indefinitely talks scheduled for London in November.

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[1] Repeated to London, Paris, Bonn, Rome, The Hague, and Brussels.

[2] *Supra.*

Status report will presumably be given to common assembly on November 29.

3. UK representatives are annoyed with prospect that French will probably insist on changes and are especially irritated with wide publicity given to proposed agreement before report could be make to UK Parliament. Monnet is in no hurry to reach agreement and will not press for approval by governments if French continue to believe that association as proposed might have adverse effects on negotiations with UK under Western European union.

4. French representatives have not given indication of final position. According to Ophuls, Soutou agreed with him on Friday that agreement on UK association should be reached soon and said that French proposals for changes would be limited to giving a larger role in association to Council of Ministers and a lesser role to High Authority. On the other hand, Spierenburg points out that remarks by Mendes-France (and apparently inspired articles in French press) suggest that French Government may try to use question of UK association to bring coal and steel community under Council of Western European Union. While two organizations could be easily linked, High Authority representatives are not expected to take any initiative in this regard because they suspect French attitude may be motivated by desire to reduce or to eliminate supranational character of coal and steel community by giving control in effect to Ministers representing national governments.

TOMLINSON

No. 229

850.33/10-3154: Telegram

The Deputy United States Representative to the European Coal and Steel Community (Tomlinson) to the Department of State [1]

CONFIDENTIAL LUXEMBOURG, October 31, 1954—2 a. m.

40. From Bruce Mission. Reference your questions in Edcol 36. [2]

1. UK association scheme is conceived as unique for UK. Close association or semi-participation of UK is considered necessary for political acceptance on continent of European federation and also because UK is producing and exporting country sharing markets and sources of supply. No other countries would be admitted to council of association.

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[1] Repeated to London, Paris, Bonn, Rome, The Hague, and Brussels.

[2] Document 227.

2. Proposal to assure minimum deliveries of UK coal to CSC in periods of shortage and overproduction has been dropped. Spierenburg still believes such arrangements to bring about stability of markets are desirable but has never suggested that such arrangements should be exclusive for United Kingdom. He admits to not having any precise ideas and recognizes necessity to work out such ideas in conformity with GATT.

3. High Authority representatives believe reluctance of UK to lower tariff on steel is primarily due to reluctance to generalize concession to other areas. At one time UK representatives suggested possibility of asking GATT for waiver to permit UK and CSC to harmonize tariffs on basis of proposed UK-CSC association. High Authority representatives said they were not interested because this would mean that CSC countries would have to increase their tariffs for other countries while lowering them for UK.

4. Monnet does not believe it appropriate for High Authority to make any proposals in connection with Western European union at least until governments have completed ratification of Paris agreements on WEU and Saar. Also High Authority representatives are nervous about intentions of French government. See immediate preceding cable. [3]

TOMLINSON

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[3] *Supra.*

No. 230

850.33/11-1554: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

CONFIDENTIAL PARIS, November 15, 1954—6 p. m.

Coled 48. Reference: Bonn to Paris 297, November 10. [2] Monnet's resignation as president of CSC [3] has elicited considerable comment in French, German and Benelux press. Press is in nearly unanimous agreement that he can most effectively contribute to efforts to re-establish policy leading to federal institutions in Europe by returning to France. This view is also generally accepted by officials in Luxembourg. Only Etzel and Sir Cecil Weir expressed sentiment that Monnet in present circumstances could have best helped create a United States of Europe by remaining in Luxembourg. Monnet made sincere effort in wording and timing of his statement to avoid possible adverse effect on ratification of Paris agreements.[4] Until his mandate expires on February 10, he attaches importance to limiting his activities to strict terms of that mandate. As far as we can ascertain his resignation will have no effect on votes upon Paris agreements.

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[1] Repeated to London, Bonn, Rome, The Hague, Brussels, and Luxembourg.

[2] Not printed. Telegram 297 from Bonn to Paris, repeated to the Department of State as telegram 1381, reported that Chancellor Adenauer was greatly disturbed over the news of Monnet's resignation and felt that this was a terrible blow for the Schuman Plan and for European integration. (850.33/11-1054)

[3] According to telegram Coled 46 from Paris, Nov. 11, Monnet sent a letter to each Foreign Minister of the six Coal and Steel Community member states on Nov. 10 announcing his decision not to seek a renewal of his mandate as President of the High Authority effective Feb. 10, 1955. (850.33/11-1154) A translation of this letter and the text of a press communiqué issued in Luxembourg on Nov. 11 were transmitted to the Department of State in telegram Coled 47 from Paris, Nov. 12. (850.33/11-1254)

BRUCE

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[4] For documentation concerning the Paris Agreements, which were signed at the conclusion of the Nine-Power Conference on Oct. 23, see vol. v, Part 2, pp. 1435 ff.

No. 231

850.33/11-2454: Telegram

The United States Representative to the European Coal and Steel Community (Bruce) to the Department of State [1]

CONFIDENTIAL PARIS, November 24, 1954—10 p. m.

Coled 50. Subject is CSC. Reference: Coled D-29. [2]

1. On November 22 CSC Council of Ministers [3] unanimously approved draft treaty on UK association with amendments worked out earlier by High Authority and representatives of CSC member governments. High Authority will now endeavor secure UK agreement to revised draft treaty and plans to submit definitive text to Council on December 7. Monnet's trip to London for final negotiations with UK Government is not scheduled to take place until after December 10.

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[1] Repeated to Luxembourg, London, Bonn, Brussels, The Hague, and Rome.

[2] Not printed; this despatch, transmitted from Luxembourg on Oct. 27, enclosed the text of the draft treaty on association between the United Kingdom and the Coal and Steel Community that had been worked out in informal negotiations. This text of the draft treaty had already been approved by the British Cabinet. (850.33/10-2754)

[3] This was a special session of the Council of Ministers which was to meet in Luxembourg in order to discuss the draft treaty. The amended draft of this treaty, approved by the Council at this meeting, was transmitted to the Department of State in despatch Coled D-37 from Luxembourg, Nov. 26. (850.33/11-2654)

2. Revised draft treaty differs from previous version transmitted Coled D–29 essentially in that it imposes certain degree of limitations on High Authority's freedom of action in dealing with UK in association body, now called "committee of association". Additional protocol between High Authority and Council of Ministers provides that High Authority will communicate to Council agendas and minutes of committees meetings, reports of working groups, et cetera. High Authority agreed to protocol in order to counteract German insistence that CSC member governments be represented by observers at all meetings of committee of association.

3. Amendments also provide for joint meetings among High Authority, UK, and Council of Ministers on all matters of common interest where member governments have retained responsibility under CSC treaty. Such joint meetings will not be convened for discussion of any matters for which High Authority has sole responsibility under CSC treaty. In negotiations with UK under section 14 of transitional convention for which High Authority must have mandate from member governments, latter may delegate observers.

4. Monnet, Spierenburg and other High Authority officials with whom we have spoken appear satisfied with revised draft treaty. High Authority was surprised at conciliatory attitude taken by French during Council meeting. In fact, French Minister Ulver, chairman of Council, aided High Authority in persuading Germans not to insist on national observers within committee of association.

5. High Authority officials interpret approval of draft treaty for UK association as ruling out effort by any of governments tending to bring supranational coal and steel community within framework of Western European union. [4]

BRUCE

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[4] After further negotiations between representatives of the High Authority and the United Kingdom, the Department of State was informed in telegram Coled 54 from Paris, Dec. 10, that the treaty would be initialed in London on Dec. 11. The formal signing ceremony was scheduled for Dec. 21 in London with representatives of the High Authority, United Kingdom, and the governments of the six Coal and Steel Community member states. (850.33/12–1054) The final text of the Agreement on British Association with the Coal and Steel Community was transmitted to the Department of State in despatch Coled D–51 from Luxembourg, Dec. 14, 1954. (850.33/12–1454) The British Foreign Office published the text of the agreement and related documents in Command Paper 9346 (London, December 1954).

In addition to the signing of the treaty, representatives of the High Authority and the United Kingdom also signed two exchanges of letters; the first permitted the British Government to delegate members of the Coal and Steel Boards to sit on the Council of Association, while the second, which was not made public, expressed the intention of the High Authority to establish diplomatic representation in the United Kingdom. (Telegram Coled 56 from Paris, Dec. 20; 850.33/12–2054)

No. 232

850.33/12-154

The President of the High Authority of the European Coal and Steel Community (Monnet) to the Secretary of State

Luxembourg, December 1, 1954.

Dear Foster: I have your letter of October 27, 1954 [1] stating your agreement the the United States Government should have diplomatic arrangements with the High Authority separate from its representation to the European Governments. I feel that I must again stress to you that the High Authority attaches the same importance to having the United States mission to it continue to be separate and distinct from the United States representation to, or participation in, any of the European intergovernmental organizations such as NATO, OEEC, or the proposed WEU. Not only would arrangements for joint representation jeopardize the independence of the High Authority vis-à-vis the six European governments in its direct dealings with the United States on matters of coal and steel, but such arrangements might also embarrass the High Authority in its direct relations with other third governments who participate in these various intergovernmental organizations.

Another important consideration requiring the maintenance of the separate mission is the need to demonstrate that the United States Government continues to appreciate the special supranational character of the institutions of the Coal and Steel Community. As you would expect, the High Authority has had a constant struggle to maintain its authority independent of the national governments. This was recently an issue in working out the form of association between the United Kingdom and the Community. This same issue will certainly arise again many times. If the separate mission established by our agreement of November 1953 were to be given to the United States representatives to NATO, OEEC, or the WEU, the supranational principle, which as you state is so important, would be greatly harmed.

The short-comings of the intergovernmental approach of the proposed Western European Union as compared with the supranational character of the Coal and Steel Community is surprisingly widely recognized in Europe. This development is the best hope, in my view, that after the WEU is ratified, the European nations will turn once again to building Europe through the policy of exercising their sovereignty through common executive institutions responsible to a common parliament and not to the national governments. This is also my purpose. I trust that European governments will again firmly adopt such a policy, but if, on the contrary, the developments of the last few months should lead the European governments back to reliance upon national policies of the past, then I look on the future with serious misgivings.

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[1] Not found in Department of State files.

With best wishes,

Yours sincerely,

JEAN MONNET

No. 233

850.33/12-1354: Telegram

The Secretary of State to the Office of the United States Representative to the European Coal and Steel Community, at Paris [1]

OFFICIAL USE ONLY WASHINGTON, December 13, 1954—7:33 p.m.

Edcol 42. For Bruce. In your discretion please see Monnet and convey orally message from me along following lines.

Begin message. It was with deepest regret that Secretary heard several weeks ago of Monnet's decision relinquish Presidency and resign from HA. Since that time he retained hope that Monnet might be persuaded by his colleagues reconsider this decision so that Community in this formative period might continue have benefit his wise leadership. At same time Secretary has felt inhibited from endeavoring influence him since he believed this primarily a European matter and more importantly because he was confident that Monnet had made his decision in full and considered knowledge all factors involved. Secretary now understands that efforts of representatives of member governments have failed induce him change his mind. He is sorry because believes that progress of CSC, with all it represents for future of European integration, could best be assured under Monnet's continued guidance.

Secretary fully understands Monnet's reasons however and has complete admiration for wisdom tact and leadership he has shown in translating into actuality a bold and inspired conception which will serve as beacon for future. This contribution has indeed been memorable and historic. *End message.*

Suggest you take occasion discuss with Monnet our concern over effect his departure on operations CSC and particularly on ability High Authority cope with mounting national and industry pressures; seek his views on pattern for future progress towards European integration and prospects for further steps this direction; and sound out his personal plans for promoting United States of Europe.

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[1] Drafted by Palmer and Boochever, cleared with Frank and Merchant, and repeated to London, Bonn, Rome, The Hague, Brussels, and Luxembourg.

DULLES

No. 234

850.33/12-154

The Secretary of State to the President of the High Authority of the European Coal and Steel Community (Monnet) [1]

[WASHINGTON,] December 14, 1954.

DEAR JEAN: Thank you for your letter of December 1, 1954, [2] concerning arrangements for representation to the High Authority. I appreciate the force of the arguments you have advanced for having our representation to the Community separate and distinct from that to European intergovernmental organizations. At the same time, in reaching a decision on this matter it will be necessary for us to take into account other considerations of our own, such as the need for satisfactory staffing, for administrative efficiency, and for correlating our interests in the Community with our other European interests. We have not as yet come to any conclusion on this question, and it may be some time before we do. In any event, you may be sure that your views will be carefully considered, and that we shall reflect in whatever arrangements are arrived at the distinctive supranational character of the High Authority.

By the time you receive this letter David Bruce will undoubtedly have conveyed to you my feeling of regret that the High Authority is soon to lose your wise leadership. As you know, I have the highest admiration for your contribution to the conception of the Community and to its successful entry into operation.

Faithfully yours,

FOSTER

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[1] Drafted by Boochever and cleared with Moore and Merchant.

[2] Document 232.

UNITED STATES ATTITUDE TOWARD EUROPEAN AGRICULTURAL INTEGRATION

No. 235

840.20/5-2551: Telegram

The Secretary of State to the Embassy in France [1]

CONFIDENTIAL WASHINGTON, May 25, 1951—10 p. m.

6392. Fol is revised agreed position US Govt re agri pool which shld guide US officials. Finally approved paper with background discussion being airmailed today. [2]

1. In dealing with this proposal, US Reps shld have in mind fact that relative inefficiency of many branches of Eur agriculture have proven major stumbling block to raising Eur's living standards and that national policies for protecting agriculture are impeding further progress toward economic integration in Western Europe. Accordingly, US Reps in dealing with this problem shld encourage Eur countries to continue their efforts develop constructive solution for these problems, including (a) improving marketing and production techniques, (b) providing some degree of security for agricultural producers, (c) reducing or eliminating national barriers to movement and sale of agricultural products.

2. US position is that plan along lines so far proposed by French, [3] although assertedly proposed to meet problems set out in para 1 above, would not be effective or desirable means of achieving these objectives. Based on summary and analysis below, it appears that substantive provisions of both Council of Europe proposal [4] and French technical memorandum [5] in their present form wld result in clear disadvantages for nonpool members and no real assurances of net advantages for pool countries as a whole in first

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[1] Drafted by Vernon, cleared with Boochever and Margolies, and repeated for action to London, Rome, The Hague, Frankfurt, Geneva (USDel ECE), Brussels, and for information to Ottawa.

[2] A copy of the paper under reference, which was a response to the French agricultural pool proposal (see footnote 3 below), is in Bruce Mission files, lot 57 M 38, "Agricultural Pool".

[3] The French proposals concerning an agricultural pool were outlined in a "Memorandum on the Organization and Unification of the Principal Agricultural Markets in the European Plan," which was given to Embassy officials on a confidential basis and transmitted to the Department of State in despatch 2260 from Paris, Feb. 13, 1951. (850.20/2-1351)

[4] Presumably a reference to the Report of the Special Committee for Agriculture of the Consultative Assembly of the Council of Europe, entitled "European Authority for Agriculture," May 5, 1951; a copy of this report is in Bruce Mission files, lot 57 M 38, "Agricultural Pool".

[5] See footnote 3 above.

three stages of plan, during which principal effect of plan wld be to increase degree of protection for member countries and to raise prices in pool market. In fact, there is real possibility of net disadvantage for pool countries as group in first three stages. Furthermore, there is no firm commitment for merger of European national markets (fourth stage), which is to be achieved only at some indefinite future data. In general, plan seems to be concerned principally with organization of European markets to avoid surpluses and, at least initially, to avoid competitive marketing. It is US view that one of the basic problems of European agriculture is improvement of production and marketing techniques and that any proposal shld devote more attention to this problem.

3. While present French plans as embodied in Council of Europe paper and technical memorandum are not satisfactory, constructive cooperation among European nations in field of agriculture wld appear feasible and desirable and shld be encouraged. At this stage, US shld not urge resort by Europeans to any specific channel. However, attention of Europeans may be called to possibility that Food and Agriculture Organization and Food and Agriculture Committee of OEEC could be of special assistance in analyzing European agricultural problems and in developing constructive proposals in line with objectives suggested in para 1 above. Prospect for successful meeting wld be enhanced if experience of these two groups could be utilized. It wld appear desirable, therefore, to arrange conference at time which wld permit delegates to have before them advice of these bodies.

4. Position set out above shld be communicated informally to appropriate French officials in response to their previous request for US reaction to their plan, and to officials of any other govt in any approach on subject. General tenor of US comments to French and other foreign officials shld be such as wld contribute to achievement of constructive solution of European agricultural problems.

ACHESON

No. 236

840.20/9-451: Telegram

The Chargé in France (Bonsal) to the Department of State

CONFIDENTIAL PARIS, September 4, 1951—2 p. m.

1423. There is strong and widespread feeling among Eur agric organizations that too little attn has been given to importance of food and agric in Eur defense program. They feel food and fibers shld have more prominent place in program alongside production of direct implements of defense.

One prominent leader in this thought is Pierre Martin, who occupies dual position as President of Confederation Generale de l'Agriculture of France, a federation of all French agric organizations and Pres of International Federation of Agricultural Producers, membership of which includes agric organizations of many countries and all US gen farm organizations. For some time Martin has been considering ways and means of obtaining an official statement from General Eisenhower with respect to importance of all-out food and agric production. The farm organizations feel that General Eisenhower's support wld give real impetus to program of increased agric productivity. Martin wrote Eisenhower about ten days ago inviting him to speak on this subj at meeting of IFAP this week in Netherlands.

Upon receipt of Martin's ltr, SHAPE contacted Emb re Martin's official position, stand on Communism, standing in internatl farm organization circles, etc. At that time, it was indicated by SHAPE that Eisenhower wld not be able to attend Netherlands meeting but an opinion was requested with respect to desirability of inviting Martin to discuss problem with Eisenhower in advance of Netherlands meeting. Emb supported Martin and agreed meeting of two wld be highly desirable.

Subsequently Martin invited to confer with Eisenhower. The conf took place Friday, August 31. Eisenhower presented his views to Martin and promised prepared statement on Saturday which understand will be presented to this week's meeting IFAP by Martin.[1]

SHAPE had previously unofficially indicated Eisenhower might be interested in speaking to large grp Eur Farm Organization reps to agreed date in near future. However, during discussions with Martin, Eisenhower expressed concern with precedent that might be established if he accepted invitation of non-governmental group. Eisenhower expressed willingness to talk to farm group but indicated sponsorship should be of governmental source. Martin and OSR exploring joint sponsorship by IFAP and OEEC or other possibilities.[2]

BONSAL

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[1] The text of Eisenhower's statement, which French farm leaders described as "extremely general", was transmitted to the Department of State in telegram 1603 from Paris, Sept. 12. (840.20/9-1251)

[2] In telegram 1519 to Paris, Sept. 11, the Department of State concurred with the approach outlined here and suggested that the statement issued by Eisenhower avoid implied endorsement of any of the plans for an agricultural pool. (840.20/9-451)

No. 237

850.20/9-1351: Despatch

The Agricultural Attaché in the Embassy in France (Herrmann) to the Department of State

RESTRICTED PARIS, September 13, 1951.

No. 722

Subject: European Agricultural "Pool"—A Status Report

This despatch, based largely upon conversations with M. Pierre Pflimlin, Minister of Commerce and External Economic Relations, and M. Paul Antier, Minister of Agriculture in the new French Government, brings up to date available information on developments with respect to the French proposals for the integration of European agricultural production and marketing. The conversations with the two Ministers, which were undertaken as a result of inquiries from Washington, were participated in jointly by Agricultural officers of the OSR, the ECA Mission to France, and the Embassy. These and other contacts were made in an effort to determine, in particular, whether the recent change in government may have affected materially (1) the thinking within the French Government with respect to the "pooling" of European agriculture; (2) the interest of M. Pflimlin in the proposals for integration, since his change from Minister of Agriculture to his present post; (3) the interest of the new Minister of Agriculture, M. Antier, in the proposals; and (4) further reactions of other European countries to the invitation (Embassy Despatches No. 2850 of April 4, [1] and No. 57 of July 9, 1951 [2]) to participate in meetings at an undetermined date to consider integration, especially indications by such countries (as well as France) as to preference with respect to sponsoring organization.

Minister Pflimlin pointed out that the present French Government has no "official" position with respect to the "pooling" of European agriculture, but that he interpreted the action of the Vice Premier placing him in charge of activities concerned with integration of European agriculture as indicating no change in the thinking within official French circles. He stated that he is now interested in taking the leadership in getting together representatives from the European nations for the purpose of developing "a plan". M. Pflimlin stated that the so-called "Pflimlin Plan" had been developed as a point of departure and for discussion purposes.

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[1] Not printed; it informed the Department of State that the French Government had issued invitations on Mar. 29 to member countries of the Council of Europe and to Switzerland, Austria, and Portugal, proposing a conference to discuss French proposals concerning European agricultural integration. (850.20/4-451)

[2] Not printed; it summarized the responses sent to the French Government by the countries invited to the conference on European agricultural integration. (850.20/7-951)

Minister Antier stated that in his actions with respect to the "pool" he would be concerned primarily with the interests of agriculture. Minister Antier, who is looking to Minister Pflimlin for leadership in this field, told the officers that he favors the integration of European agriculture, but did not elaborate except to indicate that he would look to French agricultural organizations, which are known to be favorable to the principle of agricultural integration in Europe, for counsel on the subject. The recent resolution adopted by the EER committee of the IFAP in Amsterdam during the week of 3 September is further indication of the attitude of European farm organizations toward the integration of European agriculture.

Minister Pflimlin stated that 16 countries and FAO were invited to the meeting. Of these, 11 countries (United Kingdom, Italy, Denmark, Sweden, Norway, Switzerland, Belgium, Netherlands, Luxembourg, Austria and Greece) had answered the invitation officially. All were favorable to the meeting (Norway as an observer, only). No replies have been received from Germany, Portugal, Turkey, Ireland, and Iceland. M. Pflimlin stated that he knew unofficially, that the Minister of Agriculture of the German Federal Republic favored the meeting but for some reason had not replied to the invitation. According to the Minister, Denmark, Sweden, Belgium, the Netherlands, Luxembourg, Austria and Greece made no reference to OEEC as a sponsoring organization. The U.K. and Italy favored OEEC sponsorship. Minister Pflimlin stated that he hoped the United Kingdom would participate, but in case they did not, the other interested countries should proceed with the plans for integration. Switzerland wished to take into consideration work done by the OEEC, but desired freedom of operation for the delegates otherwise, in so far as that organization is concerned. Norway was sympathetic toward OEEC sponsorship. This tabulation of reactions with respect to OEEC sponsorship is in considerable variance with that obtained from another high French government source and reported in Embassy Despatch No. 57 under date of July 9, 1951.

The French, as reported in earlier despatches, are strongly opposed to a meeting being held under OEEC sponsorship; they believe this leadership would mean certain failure. OEEC has agreed to provide space, secretariat, records and technical and committee help as requested. FAO has accepted the invitation and is willing to send observers, to assist the secretariat and provide technical assistance. Minister Pflimlin appeared to appreciate the offers of

OEEC and FAO. He thought that the forthcoming meeting should capitalize on the work previously done by these and other agencies.

Minister Pflimlin, who is expected to be a key figure in any action looking toward integration of European agriculture, stated that he will proceed with plans for bringing together European representatives for this purpose. However no date has been set for the meeting. Other French sources report that the meeting may not be convened until after the ratification of the Schuman Plan Treaty by the French parliament.

This despatch was prepared jointly by the agricultural officers of the three agencies indicated above.

OMER W. HERRMANN

No. 238

840.20/2-152: Telegram

The Ambassador in France (Bruce) to the Department of State

CONFIDENTIAL PARIS, February 1, 1952—9 p. m.

4662. Ref: Deptel 4238, Jan 22,[1] and Embtel 4461, Jan 25.[2] Latest info indicates invitations Eur agricultural integration mtg will be mailed next week through diplomatic channels. After considerable discussion within Fr Govt circles re number countries to be invited at outset, believe final decision will be to include 18 countries so none will feel left out. Arrangement will give all early opportunity to express views and show extent of interest. Date prelim mtg probably around middle March, to be confined to discussion agenda and general plans for first plenary session late April or early May. Group contacted believes agricultural pool discussions shld not wait consummation other Eur integration measures but move ahead immediately.

Realizing large group difficult to handle, plans indicate Schuman chairman prelim mtg. Invitations will state Fr to be represented by Pflimlin, Min of State for Council of Eur, and Laurens, Min of Agric. Way thus left open for any type representation other countries desire.

To prepare for mtg Fr have constituted govt comite including Monnet, Pflimlin and agric reps. Laurens also creating agric advisory comite of farm leaders, legis reps and MinAg specialists. This comite, divided into 6 subcomites, (cereals, wine, fruits and vegetables, meat, dairy products, sugar) will be directed to study problems and report Laurens prior March mtg.

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[1] Not printed; it requested information from the Embassy concerning developments in agricultural integration. (840.20/12-2951)

[2] Not printed; it briefly summarized French thinking concerning the possibility of future meetings to discuss European agricultural integration. (840.20/1-2552)

Fr have open mind on number commodities to be included but prefer limited number at outset because obvious complications. Feel complete coverage at outset wld doom plan to failure and too few wld be ineffective.

Fr agree discussions will inevitably lead to consideration lessening restrictions on movement farm production items such as tractors, farm machinery, fertilizer, etc. Although plan admittedly preferential to Eur, informant stated that Fr envisage no additional restrictions imports from countries outside Eur.

At Jan 20–30 annual mtg Fr Federation Nationale des Syndicats d'Exploitants Agricoles clear not all Fr farm leaders agree with Fr Govt present integration stand. Speakers ranged from recommendations for full integration to simple bilateral agreements or direct opposition. Some Fr farm groups realize outside competition will be serious shock to certain archaic sectors Fr agric. On this point govt officials state plan must take effect slowly but believe such competition will eventually reduce production costs and raise efficiency level of Eur agric.

This joint report prepared by Emb, Mission and MSA/E.

BRUCE

No. 239

840.20/2–952: Telegram

The Ambassador in the Netherlands (Chapin) to the Department of State [1]

CONFIDENTIAL THE HAGUE, February 9, 1952—noon.

819. Green Pool. Van der Lee of Neth Min Agric told Emb officer that at Feb 6 and 7 Paris mtg (ref Embtel 790, Feb 1 rptd Paris 175, London 187, Rome 26; [2] Paris tel 4675 rptd London 1268, Feb 2 [3]) Fr reps were Schuman, Pflimlin and Laurens, while Mansholt, Van der Lee and Spierenburg represented Neth.

Reached agreement necessity establishing high auth to coordinate Eur agric production and marketing. Dutch viewed inclusion

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[1] Repeated to Paris (pass MSA/E), London, Rome, Brussels, and Bonn.

[2] Not printed; it informed the Department of State that Mansholt and Van der Lee of the Netherlands Ministry of Agriculture planned to visit Paris in early February in order to discuss invitations for the proposed future meetings concerning agricultural integration. (840.20/2–152)

[3] Not found in Department of State files.

Schuman in talks indicate influence Monnet in convincing Fr FonOff and Pflimlin necessity for high auth.

Fr decided instruct their Ambs in five other Schuman Plan countries to make representations that France ready support close Eur agric coordination and high auth. Originally Fr had desired issue invitations all OEEC countries without clarifying Fr position re high auth.

At same time, Fr Ambs in the ten other OEEC countries will make representations extending invitations, stressing Fr support high auth, but expressing hope these other countries will associate themselves in some way with Green Pool. Fr promised send Dutch texts of comments recd from Fr Ambs.

At Min Agric supper fol talks, leaders Fr Farmers Organizations expressed support Green Pool. Fol day Mansholt and Van der Lee discussed Green Pool proposition and high auth with MSA/E officials. Van der Lee then asked that US make public statement favoring pool with high auth. He repeated this request to Emb officer here. Dutch have concentrated on econ aspects. Green Pool, stressing it wld not result in protected Eur market, which wld discriminate against Amer agric products.

Comment: Recent Fr Cab crisis has given Dutch opportunity gain present their opinion that six-country talks preferable. Fr decision make two types representations seems effective compromise. No OEEC countries excluded, but specific terms ref made clear. This may well reduce maneuvers by opponents high auth. Mansholt agreed talk with Belg Min Agric Heger in attempt soften Belg opposition. Van der Lee states Adenauer giving strong support West Ger Min Econ Aff Erhard supporting Green Pool despite opposition Deutsche Bauernverband. As result all these factors discussions will probably be more concrete than wld have been case had original Fr invitations been issued without clarification.

CHAPIN

No. 240

840.20/3-852: Telegram

The Ambassador in the Netherlands (Chapin) to the Department of State [1]

CONFIDENTIAL THE HAGUE, March 8, 1952—2 p. m.

946. Green Pool. Ref: Embtel 819, Feb 9, rptd Paris 190, London 194, Rome 27, Brussels 74, Bonn 24. [2] Van der Lee of Neth Ministry Agric told Emb officer details conversations this past week with Brit and Danes re high auth to coordinate Eur agric prod and marketing. He made fol points:

(1) Fol issuance Fr invitation Mar 25 preliminary mtg, Dutch prepared own note to Schuman Plan countries plus Brit and Den. Note stressed Dutch interest establish high auth. Van der Lee then went to London and Copenhagen prepare Brit and Dan officials for Dutch note. Stated he found cordial reception from Brit officials who year ago had been very unfriendly to idea Eur agric integration. Brit will send del both to Mar 25 mtg and later plenary conf which will discuss detailed plan. Brit expressed pleasure being kept informed development agric plan. Contrasted this with lack info early stages Schuman Plan. Brit anxious be "closely associated" with Eur agric pool at all stages altho definitely will not join initially. [3]

(2) In Copenhagen Van der Lee talked with Dan Min Agric. He described Danes as "scared stiff" high auth, principally because Danes had no experience with Schuman or Pleven talks. He stressed Dutch viewpoint high auth considered integral part any Eur agric integration. He was surprised find Dan Min Agric interested integration. Danes wish improve their bargaining position with Brit. However, Danes afraid of Dutch, their low-cost competitors. Moreover, chief Danish Farmer's Assoc violently opposed any integration. Danes will definitely send Min Agric and either Min Fin or Commerce Mar 25 mtg. Dutch argued Danes shld attend to prevent being isolated from important decisions which affect their future. Danes might also attend second conf, but because domestic pressure this merely possibility.

(3) Fr, Dutch, Itals, West Gers and Lux definitely expect attend Mar talks, while Belgs will participate unwillingly. Both Neth Min

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[1] Repeated to Paris (pass MSA/E), London, Rome, Brussels, Bonn, and Copenhagen.

[2] *Supra.*

[3] In telegram 4155 from London, Mar. 20, the Embassy questioned this description of the British attitude. Embassy officials noted that British concern centered on the status of large importers and association with the Commonwealth. (840.20/3-2052)

Agric Mansholt and Van der Lee talked with Belg Min Agric Heger re Eur agric integration at recent Benelux talks on liberalization fish trader. Heger very uncommunicative but since suggested to Neth Agric Attaché Brussels that Van der Lee come Brussels and discuss high auth with Heger and Boerenbond leaders.

(4) Current Fr Govt crisis again makes future somewhat uncertain, but Neth Agric Attaché Paris, who in close touch with Pflimlin's chief of Cabinet, reports no change evident Fr attitude integration.

(5) Dutch Agric Attaché Wash suggested Van der Lee visit Wash fol Mar conversations explain Dutch attitude and discuss details integration and high auth with US officials. Van der Lee also intends study US experience hope finding precedents for operation Eur organization. Both Van der Lee and Mansholt pleased with Dept's draft statement re Eur agric integration discussed Tomus 131 Mar 7.[4]

CHAPIN

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[4] Not printed.

No. 241

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Torep": Telegram

The Deputy Director of the Mutual Security Agency (Kenney) to the Office of the United States Special Representative in Europe, at Paris[1]

CONFIDENTIAL WASHINGTON, March 18, 1952—9:29 p. m.

Torep 1741. Subject—U.S. Statement on Establishment of a Single European Market for Agri Products. Reference—Repto

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[1] Cleared in draft with the Departments of State and Agriculture and repeated to The Hague. The public statement contained in this telegram was sent to all MSA Missions by the Office of the United States Special Representative in Europe in telegram Repto circular 33 from Paris, Mar. 21, with the notation that it would be released for publication on Monday, Mar. 23. (MSA telegram files, FRC Acc. No. 54 A 298, "Paris Circular Repto")

1134;[2] Hague Tomus 130;[3] Hague Embtel 946;[4] Paris Embtel 5522;[5] Hague Embtel 967.[6]

This is a joint State, USDA, MSA cable. Following is agreed U.S. public statement revised in light reftels for MSA/E use as discussed Deptel March 18:

1. "The United States has supported international cooperation for the improvement of production and marketing, the reduction of trade barriers, and the expansion of trade on an economic basis. Our nation strongly supports European efforts towards political and economic unification and has encouraged such arrangements as the European Payments Union, the European Defense Community and the Schuman Plan.

2. The United States recognizes the need for a broader integration of the European market to include agricultural and other commodities. It is the view of our Government that European agricultural integration is a desirable and logical phase of general European unification.

3. The United States Government welcomes any discussion or developments leading to the creation of a single European market for agricultural products which would:

> a. Embody specific measures for expanding trade through the progressive elimination of trade barriers in Europe and aim at lowering of barriers to trade with the rest of the world.
>
> b. Encourage increased efficiency in agricultural production and the expansion of agricultural output towards optimum levels which will strengthen the European economy and the common defense effort.
>
> c. Contribute to increased efficiency in the marketing and distribution of agricultural products in order to benefit both consumers and producers.
>
> d. Contribute in this way to maintaining and improving European living standards.

4. Achievement of these objectives will require that nations be willing, as in the Schuman Plan, to modify policies which prevent

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[2] Not printed; it concurred with the text of an earlier draft of the proposed U.S. public statement while, at the same time, offering some revisions which MSA felt would result in a better European reception. (MSA telegram files, FRC Acc. No. 54 A 298, "Paris Repto")

[3] Not printed.

[4] *Supra.*

[5] Not printed; it recommended that the proposed U.S. public statement not be issued because it would reinforce the impression, which the French Communist press was encouraging, that the agricultural pool was an American idea and because the United States should not appear committed to accept any agricultural integration scheme that might result in the Green Pool negotiations. (751.5 MSP/3-1252)

[6] Not printed; it stated that U.S. failure to issue a favorable statement regarding the Green Pool negotiations would be regarded as a reversal of U.S. views. (840.20/3-1452)

shifts in the use of their resources in accordance with the economic requirements of a competitive market.

5. Within the OEEC area, the application of modern farming techniques has made great progress. The increase of productivity continues to be a fundamental condition for the expansion of European agriculture. Access to a broader market would give farmers added confidence to make the investments necessary to modernize their operations and produce at full capacity. European agricultural integration can also help the economy as a whole by exerting a strong and continuous influence toward the most effective use of manpower and scarce materials and by guiding the limited resources available for investment in agriculture into the most productive channels.

6. While existing proposals for agricultural integration appear in certain respects to fall short of these objectives, the United States is confident that Western Europe once again will call upon the practical wisdom and foresight reflected in the Schuman Plan and the European Defense Community and will develop a plan for agriculture which will genuinely contribute to the strength and prosperity of Western Europe."

FYI MSA advising four U.S. farm organizations contents above draft and plans for its use. This to avoid their being "caught short" any news from Paris.

KENNEY

No. 242

840.20/3-2852: Telegram

The Ambassador in France (Dunn) to the Department of State

CONFIDENTIAL
PRIORITY

PARIS, March 28, 1952—2 p. m.

5939. In preparatory Green Pool meeting discussions [1] only four countries, Turkey, Netherlands, France and Greece favored supranational authority without qualifications. Others ranged from strong opposition to reserve pending clarification and definition terms. Discussions commodities to be included ranged from German proposal sugar and wheat to Netherlands complete coverage all products.

Conference, admittedly preliminary, studiously avoided coming to grips with high authority issue, commodities included etc. At unscheduled Wednesday evening mtg attended only by Schuman Plan countries, Netherlands delegation made strong effort develop reportedly tangible program, but Min Laurens did not give strong support and effort to achieve concrete results failed. Wide disagreement apparently existed even within this group.

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[1] For a telegraphic summary of the Green Pool meeting which took place in Paris, Mar. 25–28, see telegram Repto circular 40 from Paris, Mar. 29, *infra*.

Feeling rather widespread little progress made in conference. Gloom exists certain quarters, but all countries will apparently attend next mtg. Split in Fr group (Embtel 5875 March 26 [2]) which started over weak presentation by Laurens, now apparently involves more extensive differences among MinAg Laurens and two rival farm leaders. Split may have further repercussions that could seriously affect future Fr position. Background not clear; question being followed closely.

Definitely decided that plenary session to be held in Paris between June and end September, will be an *ad hoc* autonomous conference whose work wld be carried out in liaison with OEEC and whose final resolutions wld be submitted for opinion only, to consultative Assembly Council of Europe.

Agenda approved for summer plenary conference as fols: (1) ways and means of organizing and unifying European agricultural market; (2) structure and powers of institutions necessary in carrying out aims of organization; (3) relations which wld be established with overseas countries or countries which are not members of organization; (4) consideration of report of interim working comite.

Meeting completed work Thursday evening except for approval this morning terms reference interim working party which includes representatives all countries. Since mtg avoided critical problems, French delegation stated conference handing to working party long list questions for factual study with probable request to avoid recommendations. This question on agenda this morning.

DUNN

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[2] Not printed; it informed the Department of State of a serious disagreement within the French Delegation over the question of what position to take regarding the proposed supranational agricultural authority. (840.20/3-2652)

No. 243

MSA telegram files, FRC Acc. No. 54 A 298, "Paris Circular Repto": Circular telegram

The United States Special Representative in Europe (Draper) to the Mutual Security Agency

CONFIDENTIAL PARIS, March 29, 1952—4 p. m.
PRIORITY

Repto circ 40. 1. Paris agric integration mtg ended Mar 28 [1] with agreement hold plenary conf Paris between June and Oct. Fr to organize conf behalf all countries represented prelim mtg rather than in original role sole sponsor. Agreed plan expert comite representing all countries to prepare agenda and discussion materials for plenary mtg.

2. Preparatory conf fell short hopes Fr and Dutch in that failed reach agreement minimum six Schuman plan countries create high auth and go forward with its development, leaving question relationship to auth those not joining be resolved subsequently. Positions these six as divergent as those of 15 with exception UK, Switz and Sweden which clearly not willing join any high auth. Hence least 12 countries will continue discussions on basis equality.

3. Absence any specific plan integration resulted full opportunity expression all shades opinion and special interests commodity group. Mins agric dominated mtg naturally reflecting producers viewpoint, especially since preparations for mtg in capitals apparently based mainly on general proposals put forward by countries interested expanding exports. This gave one some misgivings on part food deficit countries and extremely cautious tactics which wld not run risk criticism from constituent producer groups whose interest at stake.

4. On positive side mtg served develop broader interest poss integration convinced all countries that full opportunity exists take account their viewpoints in evolution plan as contrasted having accept or reject plan any single country.

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[1] Delegations from 15 European nations (Austria, Belgium, Denmark, France, Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, Norway, Netherlands, United Kingdom, Sweden, Switzerland, and Turkey) met in Paris Mar. 25–28 for meetings concerning European agricultural integration (Green Pool). Embassy officials reported on these meetings in telegrams 5860 and 5886 from Paris, Mar. 26 (840.20/3-2652); officials of the Office of the United States Special Representative in Europe summarized these meetings in telegrams Repto circular 36 and 38 from Paris, Mar. 26 and 28, respectively. (MSA telegram files, FRC Acc. No. 54 A 298, "Paris Circular Repto") Documentary materials supplied to Embassy officials by the French Foreign Ministry were transmitted to the Department of State in despatch 2574 from Paris, Mar. 29. (840.20/3-2952)

5. This prelim appraisal conf probably need be supplemented basis further reactions fm participants.

Draper

No. 244

840.20/4-352: Telegram

The Ambassador in France (Dunn) to the Department of State

CONFIDENTIAL
PRIORITY

Paris, April 3, 1952—7 p. m.

6081. For Agriculture. Fr officials and farm leaders comments re accomplishments recent Paris green pool meeting range from reactions meeting was "practically complete failure" to optimism on having successfully cleared first hurdle of long course. More objective observers feel some progress was made or "at least no ground was lost". All agree meeting not up to expectations but believe discussions revealed, at least in part, positions various countries.

Prior to meeting strong belief prevailed that six Schuman Plan countries would agree on principles and program of action during meeting. However, they failed to get together and outcome was agreement that all 15 countries would cooperate at least through the next summer's meeting. Meeting also agreed working party approach which some interpret as deliberate delaying tactic. British built much goodwill in meeting by cooperative attitude despite fact that their basic position known in advance. Netherlands was leader throughout meeting.

Fr Govt circles generally agreed summer plenary session will be nothing more than extension recent preparatory meeting but with more factual material available as basis for discussion and analysis problem. High Fr Govt official predicted summer plenary session would end without decision but would appoint committee experts to study problem and make recommendations similar preliminary stages Schuman Plan development. Decisions would not come, he said, until after experts had completed work probably late fall or next winter. This prediction would indicate time consuming procedure much to liking some countries and groups. Min Agric officials stated first working party meeting would be convened by Fr Govt "around 23 April".

More info obtained re apparent weakened position Fr Govt at preparatory session (Embtel 5875 Mar 26[1]). Recent discussions revealed first outward sign weakness and rift in Fr farm organization ranks came to light with Blondelle, President FNSEA, an organization similar in function to US general farm organizations, appeared as agricultural adviser at preparatory meeting instead of Lamour, SecGen of CGA, natl federation all Fr farm organizations. FNSEA is member of CGA. The stronger position of Blondelle admittedly due to Patronat membership in FNSEA ranks (some industrialists are also large farmers) and the close relationship of Patronat to Pinay Govt. This official stated Pinay group strongly backed Patronat and, is opposed to green pool therefore position Fr Govt at preparatory meeting was carried personally by Pflimlin and Laurens. Backstage pressure probably weakened Laurens stand. It should be noted that the Patronat has consistently opposed Schuman Plan. Some feel Fr Govt weakness at meeting due only to inability Laurens to present case in effective manner. Govt officials insist Fr Govt position has not changed on green pool or high authority principle. However, failure to back Netherlands on high authority issue and reversion, on this question, to more cautious procedure which provides for exploration of question and definition of term before acceptance, would indicate some loss previous aggressive attitude and leadership.

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[1] See footnote 2, Document 242.

Despite failure to meet expectations at meeting, green pool idea still has strong support many sources. Farm groups favorable to idea must conduct basic educational campaign with membership if they are to strengthen position. Future from Fr viewpoint depends on leadership and extent to which farm groups and others can consolidate forces in opposition to such groups as Patronat which consider green pool would weaken or destroy their present favorable cartel position based on restricted national market. Min Agri officials believe Laurens can patch up rift in Fr farm groups. This important if Fr are to maintain early favorable position toward green pool and exert future desirable leadership.

Fr situation by no means static. Could drift to more favorable or less favorable position with passing time and political shifts. Press still commenting favorably took strong position against agricultural integration. Note that opposition to green pool comes from Communist on extreme left and Patronat on extreme right.

DUNN

No. 245

840.20/11-1352: Telegram

The Ambassador in the Netherlands (Chapin) to the Department of State [1]

SECRET THE HAGUE, November 13, 1952—3 p. m.

638. Ref Embtel 589, Oct 31, rptd Paris 108 [2] Min Agric has made available to Emb on most confidential basis paper on Neth position Eur cooperation in field agriculture. Statement, which has not yet been made available to any Eur govts, sets forth six principles on which Dutch believe green pool shld be based. Then describes Dutch ideas for administration of green pool by high authority during transitional period. This paper is basis for Dutch position in both 16 nation Jan green pool conf and any discussions which are held meanwhile between Schuman Plan countries for six nation agric unification. Ideas of paper will be hinted in speeches by Vanderlee, Director International Organizations in Neth Min Agric, scheduled for Stuttgart Nov 18 and Munich Nov 19 under auspices Dutch German Chambers Commerce those cities. These speeches intended familiarize Germans with Neth attitude on green pool and serve as trial balloons to test German reaction.

Mansholt has insisted existence this paper, and particularly fact that it given Emb not be revealed to representatives other Eur countries. Principles outlined as basis Dutch concept green pool fols:

(1) Raise Eur standard living,

(2) Thru specialization according to comparative advantage increase both total production and unit productivity,

(3) Include all important agric products,

(4) Establish well defined transition period (Dutch say 5 years) during which special exceptions to establishment of true common market permitted. During transition period protectionist measures must be progressively abolished according to fixed time table and increased efficiency encouraged,

(5) Artificial differences in national price and marketing policies must be eliminated during time-phased transitional period,

(6) Both transitional period and final phase of integrated market must be administered under high authority with supranational powers.

Transitional period seen by Dutch as time for reshaping national production and marketing patterns. During this period both national and general Eur regulation permitted subj to progressive disappearance. In answer specific questions, Dutch have insisted that after realization final phase no protectionism in green pool either by member countries or by pool itself will be permitted against imports from non-member countries.

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[1] Repeated to Paris for SRE.

[2] Not printed; it briefly commented on the visits to the Netherlands of Spaak and Fanfani. (840.20/10–3152)

English translation text of paper being dispatched.[3]

CHAPIN

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[3] The document under reference was transmitted to the Department of State in despatch 612 from The Hague, Nov. 18. (840.20/11-1852)

No. 246

Bruce Mission files, lot 57 M 38, "Agricultural Pool": Circular airgram

The United States Special Representative in Europe (Draper) to Certain Mutual Security Agency Officials[1]

CONFIDENTIAL PARIS, November 11, 1952.

A-187. Subj: Recent Developments in European Agricultural Integration.

1. French Cabinet has selected January 20 as opening date for next Paris conference on the organization of European markets for agricultural products. One of the major considerations was date at which tasks of Interim Working Party will be completed and necessity allowing time for study of resulting documents.

2. The Interim Working Party has completed an impressive volume of documentation. Some 15 reports on commodities or commodity groups will be completed by December 15 when the full Working Party will meet. At that time the commodities will probably be ranked in order of priority and perhaps criteria for including commodities within an agricultural integration plan will be proposed as provided in the Working Party's terms of references. A general report describing the agricultural economy and structure of the various countries, farm income and expenditures, and government measures affecting agricultural production is also being prepared.

3. A group of European agricultural economists has recently been called to Paris for consultation on this report and to consider the problem of inter-country comparisons of farm costs. The group included such outstanding men as Prof. Herring, Dir. of the Dutch

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[1] Sent to all MSA Missions (except Belgrade, Madrid, and Reykjavik) and to the Agency in Washington with instructions to pass to the Departments of State and Agriculture.

Agricultural Economics Research Institute; Prof. Miehaus, Dir. of the Institute for Agricultural Policies and Marketing of the University of Bonn; Mr. Ridder, Dir. of the Danish Institute of Farm Accounting; and Prof. Harraem, Dir. of the Institute of Farm Economics of the University of Gotingen. This meeting was quite an important innovation as European professional leaders in this field had never been brought together before.

4. The Working Party has adhered closely to its terms of reference. The various reports on commodities, "general problems," and institutions do not draw any conclusions concerning the specific problems of organizing a common market. The documentation will, however, provide useful background material. The participants in the work have acquired a better appreciation of the conditions and problems in countries other than their own and, in a number of instances, have developed a more favorable attitude toward the project.

5. The September 10 resolution of the CSC Council of Ministers [2] relative to a European Political Community and related economic questions has caused the agricultural leaders of the six CSC countries to intensify their activities with respect to agricultural integration. The phrase "moral obligation to move ahead" or some close equivalent is frequently being used.

6. On the other hand, the decision at the March Preparatory Conference [3] on the Organization of Markets for Agricultural Projects to the effect that the entire group of countries there represented would proceed together in the consideration of the problem tends to inhibit action in agriculture by the six countries alone.

7. An exchange of visits by the Ministers of Agriculture of the six countries is currently in progress. The purpose is to reach some agreement as to a procedure which will be consistent with both of the above agreements. Some type of six country meeting prior to the January agricultural conference seems probable. Viewpoints differ as to whether this should be confined to Ministers of Agriculture or should be a meeting of Foreign Ministers attended by Ministers of Agriculture and possibly Ministers of Finance or economics as well. The purpose would be to reach agreement on the type of action to be proposed at January conference taking pains to maintain understanding that the six countries only wish facilitate work of the 16 with no intent create exclusive block or make secret commitments to one another. Kind of plan contemplated for presentation at January conference is procedure for drafting treaty for

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[2] For the text of the "Luxembourg Resolution," see Document 103.

[3] For information concerning the Green Pool meeting in Paris in March, see Document 243.

agricultural community or common market with statement of broad principles or conditions to be satisfied by the plan as a guide for the drafting group.

8. There is a considerable range of opinions among the Schuman six regarding their role among the 16 countries. Dutch view is that six must go ahead in any event, keeping door open to other potential participants but not delaying progress or making compromises which would result in weaker action in order to increase number of participants. At opposite extreme Belgians, while agreeing that the six should provide guidance for the 16, place the emphasis on efforts to find a formula under which all 16 can participate. The Italians are about midway between these extremes.

9. There appears predominance of thinking that agricultural community should not be coterminous with CSC, but larger. It is pointed out that six countries do not form natural unit in which agricultural production is largely concentrated as in the case of coal and steel. This accounts for importance attached by the six countries to avoidance any risk of discouraging wider participation.

10. Prior to March conference, non-governmental interest in agricultural integration largely was confined to farm organization. In recent months labor and industrial groups have begun to give attention to the proposed common market for agriculture and the present attitude of such groups seems to reflect the view that some action toward agricultural integration is going to be taken and that it is time for them to try to exert influence to shape the program according to their respective interests. Allied Mission Labor Officers have encouraged labor interest in the project because of the potential advantages to workers as consumers which would result from a constructive integration program.

At the initiative of the European Regional Organization of the ICFTU, a conference was held in Brussels in late October attended by representatives of two trade union internationals and eight national organizations. The conference unanimously agreed that the free trade union movement in Western Europe should support the creation of a European agricultural community and that trade unions should participate in efforts to attain this goal. A five-man committee has been set up to follow Green Pool developments and to encourage labor participation at the January conference.

11. *Individual country positions.* The following summary of individual country positions is based on conversations held in Paris and the other capitals visited by SRE representatives as well as upon information received from Embassies and MSA missions. Comments and further information are invited.

The Netherlands continues to be the most ardent proponent of rapid progress toward full integration, and interprets the Luxembourg Resolution as a firm commitment among the six to push ahead in the agricultural sector as an essential part and logical next stage in the broad political and economic unification movement proposed or implied in the resolution. Dutch have also done most analytical work including development of specific proposals, but are waiting for more appropriate time to reveal results.

Italy is also favorably disposed toward full integration under six country leadership, but advocates proceeding much more cautiously and with more attention to broadening participation beyond six countries. Relatively little analytical work has been done on the problem by the Government. The minister has left this largely to Prof. Papi who has no staff assistance, many other duties, and above all, a most cautious and conservative attitude. Considerable interest and support is developing among influential agricultural leaders outside the Ministry.

While the French have not renewed active leadership since Mr. Pflimlin was shifted to his present cabinet post, the official position continues to be an affirmative one. The Minister of Agriculture is being continuously subjected to the prodding of his assistant Mr. Cabot, who is Chairman of the Interim Working Party, and whose enthusiasm for the project has grown as the documentation job has gone forward in a generally favorable atmosphere.

In Germany the official position is favorable, and Dr. Hermes, the Head of the Farmers Union, has been designated to the role of leadership exercised by Ministers of Agriculture in other countries. In view of the strong protectionist elements in German agriculture, Mr. Hermes is in a somewhat precarious position in presenting the official Government position in Paris without weakening his personal standing with the members of the farm organizations which he heads. There are indications that industrial groups favor making industrial integration a condition of Germany's acceptance of agricultural integration.

Belgium has now taken a formal position in favor of establishing a common market. Socialist Party pressure following successes in recent municipal elections appears to be a factor. But whether this formal support is based on a genuine desire for a common market or merely on tactical considerations is open to question in the light of the strong opposition known to exist in the country. Belgium may well consider that as a member of the CSC she cannot logically or successfully oppose the common market principle, but can insist on such broad country participation as to preclude agreement on anything more than a very weak version of the common market idea.

Outside the Schuman six, Greece and Turkey strongly supported the idea of a common market at the Preparatory Conference in

March. As exporters of certain agricultural products they are interested in access to European markets on more favorable terms, but have not indicated the nature of these terms. Denmark has become increasingly interested and is probably prepared to participate fully in the development of a common market plan if convinced that there is a reasonable chance of adoption of a truly liberal plan with satisfactory provisions for trade with third parties. If Denmark participates actively, Norway may decide that it is to her advantage to do so as well. Austria has shown considerable interest, pressing especially for the inclusion of forest products. The U.S. continues an active interest while maintaining that her special position with the Commonwealth rules out U.S. participation in any plan involving surrender of national authority to an international institution. Other participants, with the exception of Ireland and Sweden, have made a serious effort to supply all of the data requested, but have otherwise evidenced only mild interest.

Draper

No. 247

Bruce Mission files, lot 57 M 38, "Agricultural Pool"

Memorandum by the Consul of the Embassy in France (Cleveland) to the Acting United States Representative to the European Coal and Steel Community (Tomlinson)

[Paris,] November 13, 1952.

1. I spoke on Monday [1] on the telephone with Van der Lee. During his talks in Luxembourg last week, he had been put abreast of the current stage of Monnet's thinking on the subject of EPC, [2] and had apparently been shown some of the proposals which Monnet and his staff are considering in this connection. He had apparently been asked by Kohnstamm to take the temperature of the Dutch situation and try to see whether and under what circumstances Monnet's idea of immediate European elections for an Assembly whose essential tasks would be to take over EDC and EPC and have the right of initiative on further progress would be acceptable to the Dutch. He had discussed the matter in The Hague and had come to the conclusion that there was no chance that the Dutch (either government or parliament) would accept this kind of proposal, at least at this stage. While he obviously did not want to

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[1] Nov. 10.

[2] For documentation concerning the European Political Community, see Documents 1 ff.

discuss then the matter in detail on the telephone, he said that their feeling was that elections for an Assembly that did not have real powers, except of the limited type provided in the CSC and EDC Treaties, would have the contrary effect to what Monnet hopes, and would give the impression that the whole operation was just a screen for EDC.

2. In the two talks he had with me in Luxembourg, Van der Lee outlined the problem of agricultural integration as he sees it in its relation to the work on EPC. The major problem on agricultural integration in his mind and in Mansholt's is to find a way at the January Conference to bring the discussions out of the clouds by limiting them to the representatives of the six countries of the Community who may fairly be expected to go ahead on the proper basis. He will also discuss the matter with the Germans and the Belgians who are expected to be more difficult. He has also talked to Spaak, who has apparently given him encouragement.

In Van der Lee's view, two things are essential in order that matters should develop at the January meeting as the Dutch would like: first, the six country meeting must be successful; and secondly, the report presented to the *Ad Hoc* Assembly by the Constitutional Committee should make some mention of agricultural integration, and make it clear that it will be possible for the work on agricultural integration to go forward within the framework of the EPC. If this is done, it would then be possible to propose at the January meeting that the delegations of the six countries (possibly with the others sitting in as observers) should sit down and prepare a draft treaty for an agricultural community which would use the EPC institutions as a framework and which could be submitted either to the governments or possibly to the newly elected Assembly of EPC itself.

3. While the definite position which the Dutch and particularly Mansholt will take is not entirely clear, I think that there is a possibility that they might be willing to accept an EPC which did not at the first stage go beyond EDC and CSC, provided there were a definite commitment in it that the intention was to go farther, that a procedure was established for doing so, and, in particular, that there was a reasonable assurance of some sort that the new EPC institutions, as soon as they were established, would take an active interest in problem of agricultural integration. These, however, are obviously fairly large "ifs."

No. 248

Bruce Mission files, lot 57 M 38, "Agricultural Pool"

Memorandum by the Consul of the Embassy in France (Cleveland) to the Acting United States Representative to the European Coal and Steel Community (Tomlinson)

[PARIS,] November 13, 1952.

In our conversation the other day on the phone, Van der Lee also told me he had received a visit on November 7 from Tasca, [1] who was in The Hague and said he wanted to discuss integration, agricultural and otherwise. Tasca was, allegedly at least, on a mission of information, but I gathered from Van der Lee that he did most of the talking himself. Van der Lee was struck by the fact that Tasca seemed very ill-informed about most of the recent progress about European integration as concerned the agricultural pool, but he was unaware of the existence of the Interim Committee of the Agricultural Conference which has been working in Paris since last March. [2] He was also unaware of the Luxembourg Resolution [3] and the developments on EPC.

In his own remarks Tasca was very negative on the whole subject of European integration and very skeptical that anything worthwhile could be accomplished. He stressed the monetary problem and said he didn't think that anything useful in the field of integration could be done unless the monetary problem was solved first. Van der Lee explained at some length the approach that by starting with a field like agriculture you would force discussions of the other problems and sooner or later make it necessary to deal with all of them. But Tasca was not impressed. Furthermore, Tasca apparently went on at some length to the effect that there was in any case a great danger that an integrated Europe would become protectionist and that this would be a bad thing both from the U.S. point of view and from the point of view of the European economy itself.

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[1] Henry J. Tasca, Director of Plans and Policy in the Office of the U.S. Special Representative in Europe, at Paris.

[2] For information concerning this Green Pool meeting in Paris, see Document 243.

[3] For the text of the "Luxembourg Resolution," see Document 103.

No. 249

840.20/3-2053: Telegram

The Ambassador in France (Dillon) to the Department of State

CONFIDENTIAL PARIS, March 20, 1953—6 p. m.
PRIORITY

5151. For Agriculture, Ministers of Agriculture of CSC six held unimportant preliminary Green Pool information session Paris 14 March. Plenary session convened sixteenth, Spain admitted as seventeenth member. Netherlands held to over-all integration and high authority principle. As predicted (Embassy despatch 1931, March 13, 1953 [1]) meeting chairman Minister of Agriculture Laurens supported German proposal for series commodity agreements backed by Belgium and Italy. Several members French delegation extremely pessimistic over meeting outcome. Expect nothing tangible, only more committees and meetings.

French farm organization contacts anticipate no important results. Predict resolution giving Council of Ministers authority to continue studies and propose conference later date.

Same source reports Minister Foreign Affairs issued instructions to definitely oppose supra-national authority for Green Pool.

Although meeting still in session, contacts generally agreed meeting failure will be due to Minister of Agriculture Laurens' negative position (Embassy despatch 1469, January 12, 1953, page 11 [2]) and lack of French support constructive proposals.

Monnet Plan official stated backstage operations Patronat responsible for killing present move toward European agricultural integration.

DILLON

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[1] Not printed; it reported to the Department of State that the French would recommend a series of commodity agreements to the Mar. 16 plenary Green Pool meeting rather than an overall integration plan for European agricultural markets. (840.20/3-1353)

[2] Not printed; it summarized policy and program developments in French agriculture in 1952 and French plans for 1953. On the page cited here was a description of the French Government's current policy toward agricultural integration. (851.20/1-1253)

No. 250

740.5/3-2553: Telegram

The Ambassador in the Netherlands (Chapin) to the Department of State [1]

CONFIDENTIAL THE HAGUE, March 25, 1953—6 p. m.

1270. Reference: Weeka 12, March 20. [2] Talk with Agriculture Ministry official revealed that as expected neither six nation Ministers of Agriculture meeting March 14 nor following seventeen nation (Spain was admitted) conference made any progress towards realization agricultural integration.

Laurens apologized privately to Mansholt for sudden reversal French position but indicated Quai d'Orsay had, as sop to Gaullists flatly ordered him to disregard November memo of understanding between him and Mansholt. [3] Fanfani, although paying lip service to idea six nation economic integration consistently discussed agricultural integration in terms of "little OEEC" for European agriculture. This approach supported by French and Germans was opposed by Netherlands and Britain on grounds that one OEEC was sufficient to provide inter-governmental (as opposed supra-national) organization and could easily handle agriculture as part of economic picture.

Dutch viewed seventeen nation conference as merely a show which resulted in nothing but more boondoggling by Interim Committee's study groups working parties sub-groups etc. No agreement was reached on any substantive matter and all questions were postponed until a third seventeen nation conference scheduled for October but which Dutch do not expect will be held before spring 1954. Following seventeen nation conference six Ministers again met and decided to keep closer contact. Their next meeting now scheduled June.

Dutch now feel no progress can be made toward agricultural integration until EDC ratified by French. [4] Agriculture Ministry spokesman indicates strong approval reported US decision to proceed with setting up German contingents for European Army now that Bundestag has ratified EDC Treaty. They expressed hope US would be able convince Bidault necessity French ratification. They very interested continued reports German Socialists may join with CDU after elections and would strongly favor such alignment. They feel that after EDC ratification and elections Germany and Italy time may be ripe for again attempting obtain six nation support for economic integration of which agriculture early step.

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[1] Repeated to Paris for SRE.

[2] Not printed; it reported, *inter alia*, that the 16-nation conference on European agricultural integration made no real progress and that the press in the Netherlands commented that the Netherlands Government was fighting for a lost cause. (756.00(W)/3-2053)

[3] Presumably a reference to the Netherlands memorandum summarized in Document 245, which subsequently received Laurens' concurrence.

[4] For documentation concerning the European Defense Community (EDC), see vol. v, Part 1, pp. 571 ff.

CHAPIN

No. 251

840.20/5-2753: Circular airgram

The Acting Secretary of State to Certain Diplomatic Offices [1]

CONFIDENTIAL WASHINGTON, May 27, 1953—5:40 p. m.

In the course of discussions at the Department of State during his recent visit, Mansholt, the Netherlands Minister of Agriculture, emphasized that the consideration of agricultural integration in Europe had now taken an unfortunate direction. He said that at the last European conference on this subject in March, 1953, [2] there was a clear disposition on the part of most representatives to consider agricultural integration only in terms of the interests of agricultural producers, and to ignore its broader economic implications, including the impact on consumers and industry. Little consideration was given to the creation of a genuine common market for agricultural products, the emphasis being on the establishment of limited commodity agreements of a type which would protect high-cost producers.

While Mansholt did not think there would be concrete results from the working group which will follow up on the March agricultural meeting, he noted that any such results would almost certainly be bad from the standpoint of the overall Dutch interest, or the interest of other countries concerned with Europe's progress towards economic integration.

Mansholt considers that the agricultural sector of the European economy is so large and its economic impact so ramified that a common market for this sector cannot be developed apart from a more general economic integration in Europe which would take into account the balance of payments, tax, fiscal and other problems which would inevitably require solution. The Dutch Government strongly favors such a general integration of the European economy.

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[1] Drafted by Boochever; cleared with Burk, Lyons, Department of Agriculture (Schwenger), and the Mutual Security Agency (Jacobsen); and sent to Paris (for Embassy and SRE), Rome, Bonn, London, The Hague, Brussels, Luxembourg, Athens, Geneva, Bern, Copenhagen, Oslo, Stockholm, Lisbon, Vienna, Dublin, Ankara, and Reykjavik.

[2] For a summary of this Green Pool meeting in Paris, see Document 249.

The above information with respect to agricultural integration should be taken into account in any informal discussions which U.S. representatives may have on this subject. The U.S. Government is disappointed at the trend of European thinking on agricultural integration as described by Mansholt, since it is not likely to lead to the kind of arrangements which the U.S. could support. In this connection your attention is called to the text of the U.S. statement contained in Repto Circular 33 of March 21, 1952,[3] on the type of European agricultural arrangements which would be in line with U.S. objectives.

SMITH

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[3] See footnote 1, Document 241.

UNITED STATES ASSISTANCE TO EUROPEAN DEFENSE EFFORTS THROUGH THE MUTUAL SECURITY PROGRAM [1]

No. 252

Editorial Note

The financial aid extended to Europe in 1952–1954 was only part of a larger, broader program of mutual security assistance that spanned the globe before, during, and after this period. In the following pages the editors have attempted to present documentation on the Mutual Security Program that is nearly or exclusively European in orientation, leaving to presentation in the general mutual security compilation in volume I, Part 1, those documents dealing with European aid in the broad context of global mutual security. However, some overlap inevitably remains and the reader is urged to consult both the general and regional mutual security compilations in order to obtain the maximum documentary information and perspective.

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[1] Continued from *Foreign Relations*, 1951, vol. III, Part 1, pp. 1 ff.

No. 253

ECA-MSA-FOA files, lot W-13, "MAAC Action Summaries"

Mutual Assistance Advisory Committee Draft Minutes of Meeting, February 18, 1952, 3–6:30 p.m. [1]

SECRET
[MAAC M-12]

WASHINGTON, February 20, 1952.

Present:

Office of the Director for Mutual Security
Mr. Gordon, Chairman

Mutual Security Agency
Mr. Cleveland
Mr. Gordon

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[1] The identity of the drafting officer is not indicated on the source text. The interagency Mutual Assistance Advisory Committee was established by a letter from MSA Director Harriman to Secretary of State Acheson on Nov. 1, 1951, as a successor to the International Security Affairs Committee (ISAC). For documentation on the creation of the Mutual Assistance Advisory Committee, see vol. I, Part 1, pp. 460 ff.

Mr. Hill
Mr. Schelling
Mr. Wolf
Department of State
Mr. Merchant
Mr. Barnett
Mr. Kranich
Department of Defense
Mr. John Umbarger
Col. Thielen
Lt. Levy-Hawes
Mr. Stettner
Department of the Treasury
Mr. Harley
Bureau of the Budget
Mr. Wilhelm
Mr. Hirschberg
Office of Defense Mobilization
Mr. Rock
Secretariat
Mr. Christensen

MSA PROJECTIONS OF COUNTRY DEFENSE EXPENDITURES AND COUNTRY AID FOR USE IN THE FY 1953 PRESENTATION

Germany

1. The Chairman reported that a cable on Germany (Secto 13 February 18 [2]) had been received containing the recommended German contribution for FY 1953, and he requested that MSA revise its cables on German defense expenditures accordingly.

France

2. The Chairman indicated that further discussions would probably be held by our officials at Lisbon [3] on a February 9 cable from Paris on the factors related to a French defense effort of 1225 billion francs. [4]

3. Mr. Merchant said that the present figures on France set forth by MSA seemed to indicate a balance of payments deficit in 1953 of $118 million after OSP. Mr. David Gordon said that this calculation had been made on the basis of the present rate of OSP expenditures. Mr. Merchant said that this in effect raised the question of the adequacy of the $400 billion [*million*] in defense support planned for France in FY 1953. The Chairman said that perhaps a more serious question raised was that of the military expenditure figures, and he called upon Mr. David Gordon for discussion of the investment program in Europe. Mr. David Gordon said that of the

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[2] Not printed. (CFM files, lot M-88, "London-Lisbon, Secto-Tosec")

[3] For documentation on the Ninth Session of the North Atlantic Council at Lisbon, Feb. 20-25, 1952, see vol. v, Part 1, pp. 107 ff.

[4] Reference is to telegram 4884 from Paris, Feb. 8 containing the text of a presentation made by the Embassy at Paris to the French Government outlining a projected program of $500 million in aid to France for fiscal years 1952 and 1953 based upon an assumption by France of a defense budget of 1225 billion francs. (751.5 MSP/2-852)

total $1.4 billion in defense support planned for Europe in FY 1953, it is estimated that all but about $300 million will accrue to the European banks. He then outlined the various purposes for which this $300 million would be used. Mr. Cleveland said that this general problem had been discussed with Mr. McNeil of Defense. At that time it was requested that the Defense Department re-examine the estimated defense expenditures in order to see if they were realistic. The problem of trade adjustment was also discussed with Mr. McNeil. Mr. Cleveland indicated that he personally felt that this was the last year that it would be necessary to make an estimate on trade adjustment since additional experience gained during the coming year will provide a sound basis for future calculations. He indicated that the trade adjustment figure would be re-examined to see how it was made and to see whether it was cut down from an original estimate. He indicated that he shared the Chairman's unhappiness over the size of the adjustment and that the figures involved would be thoroughly examined by the country desk officers. Mr. Umbarger reported that France was being used as a "guinea pig" in attempting to provide a sound basis for estimating defense expenditures. He reported that Defense and MSA representatives would be meeting on February 20 with representatives of the French clearing house, and on the basis of this meeting it should be possible to accurately determine the actual receipts of the French Government through the experience of the French of U.S. defense expenditures through calendar year 1951. He noted that the three Services are insisting that the defense expenditure figures are actually very conservative and will run much higher than has been previously estimated. He added that the information received on the French test case could probably be applied across the board in Europe.

4. The Chairman noted that this question was closely related to the balance of payments problem and offshore procurement. With reference to OSP, the Chairman said that assuming that there would be $500 million of obligations in FY 1952 and $1 billion in 1953 there are a number of problems which must be faced. Perhaps the most important is that of taking action which will speed up the OSP processes. He suggested that this could be done by loosening up the list of items eligible for procurement and reducing the administrative bottlenecks that now exist. He added that it was his understanding that General Finley was now in Heidelberg to discuss what could be done to improve the present administration of the program. Lt. Levy-Hawes said that General Finley had just arrived in Heidelberg and consequently no reports had as yet been received. With reference to expanding the lists of eligible items he reported that this was being given active consideration by Defense.

Mr. Cleveland said that he felt that the figure of $1 billion in OSP obligations for FY 1953 should be accepted although he questioned the current estimates on the rate of payments for these obligations. With respect to the $500 million of obligations estimated for FY 1953 he asked whether it was realistic to continue using this figure if the obligations will not actually be that large, and if the funds are not obligated whether we will have to ask Congress for a carry-over. The Chairman replied that this should not be an immediate problem since the funds could be carried over with the others not expended in Title I. He also expressed the view that it would be unfortunate to abandon the $500 million figure for FY 1952. Mr. Cleveland commented that it would be even more unfortunate if it was found necessary to cut the figure downward during the Congressional presentation of the FY 1953 program, and that if any cuts are to be made they should be made now. The Chairman said that he would agree with this statement if it was obviously impossible to obligate all of the $500 million in FY 1952 but that he was not as yet prepared to agree that this would happen. The Chairman then indicated that it would be necessary to decide on some operating procedure to straighten out the military defense expenditure figure in order that the defense forces' figures could be developed. He asked whether it was contemplated that there would be any advance payments on OSP contracts. Mr. Cleveland pointed out that discussion had been postponed several times on the proposal for advance payments (MAAC D-1/1).[5] However, revisions of OSP procedures would probably speed up expenditures since the French Government, for example, normally pays some in advance on its contracts, and payments would probably exceed the estimated U.S. rate of 15 percent for the first twelve months. Mr. Schelling said that it was his understanding that the 15 percent estimate made by Defense on the basis of its contract experience in the U.S. was an overall average including long lead-time items and that if the U.S. is procuring primarily spare parts and ammunition in Europe it would probably be wise to examine what the normal rate of payments were in the U.S. on these particular items. Lt. Levy-Hawes said that there was already an assumption of payments as high as 40 percent during the first year on some of the OSP items. Mr. Schelling recalled that Colonel Van Syckle had once said that most of the contracts for OSP placed in FY 1952 would not run for more than a year or a year and a half. Consequently, Mr. Schelling said that the entire $500 million program for OSP in FY 1952 might be expended before the end of 1953 and therefore the impact in 1953 would be much greater than originally estimated. He pointed out that in the present MSA figures under consideration it looked as though only about 10 percent of the $1 billion for FY 1953 would be expended during that same period.

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[5] Not printed; it comprised a memorandum of Jan. 24 by John F. Hickman, Secretary to the Mutual Assistance Advisory Committee, entitled "Fiscal Arrangements for Offshore Procurement Settlements" and two papers prepared in the Mutual Security Agency on a proposal for the redistribution of dollar payments under offshore procurement. (ECA-MSA-FOA files, lot W-13, "MAAC Documents")

5. Following further discussion it was agreed that:

(a) A reinvestigation would be made of the rate of expenditures on OSP contracts, and that further discussion of accelerated payments would be deferred.

(b) Defense and MSA should undertake further consideration of the military expenditures estimates. It was specifically requested that representatives from these two agencies meet following the discussions on Wednesday morning with the French clearing house officials, since those discussions will probably provide a firm basis for estimating all defense expenditures in Europe.

United Kingdom

6. Mr. Gordon said that U.K. presented a very real problem since it seems almost impossible to assume that projected level of expenditures for 1953 in view of the British estimate of their reserve losses during that period. He indicated that the aid for the U.K. would probably be the most difficult part of the program to present to Congress. Nonetheless, he indicated that if the figures projected by MSA for the U.K. were accurate, it would probably be necessary to plan an entirely different type of program for Britain. He also asked whether it would be practicable to present to Congress a program of defense support of which over 50 per cent of the European aid would go to Great Britain. Mr. Merchant said that he thought this should be possible since the British are making over ⅓ of the total NATO effort in Western Europe. Mr. Schelling raised the question of reconsidering the proposal made some time ago for an off-shore procurement program in Canada to buy for the U.K. those items for which the British would otherwise spend dollars. The Chairman also inquired as to the status of the proposal for purchasing in the U.K. munitions for American forces. Lt. Levy-Hawes replied that SusRep was being asked to investigate this possibility.

Following further discussion it was agreed that:

(a) The British would be contacted in Washington for their views on the U.K. defense expenditures and reserve position. The MSA figures will not be released to the British, but they will be requested to supply estimates on the same categories as those used by MSA. A cable will be prepared informing Mr. Batt of this action, and he will be kept informed on the progress of the discussions with the British.

(b) The proposal for procuring in Canada material for the U.K. for which the U.K. would normally spend dollars will be investigated, and the MAAG Chief in London will be asked to comment on this proposal and to supply information on the magnitude of such U.K. purchases in Canada.

(c) The Chairman will investigate the status of the "dove-tail" proposal for production planning between the U.S. and Britain.

(d) The status of the draft cable on the purchases of munitions in the U.K. for U.S. forces will also be checked.

Austria and Greece

8. Mr. Merchant replied that it was the view of State that $80 million in aid for Austria in FY 1953 would be insufficient. State also feels that the figure contemplated for Greece will have serious political repercussions in view of the large reduction involved and since such aid will barely maintain present standards and leave little room for further development of production. He conceded, however, that it was difficult to see how else the non-NATO aid for Title I could be adjusted. Mr. Cleveland said that this had been the dilemma faced by MSA. In the case of both Austria and Greece, it had been hoped that their internal demands could be lowered and their import requirements thereby reduced. In view of the limitations on available aid for FY 1953, he concluded that there was little hope of increasing the aid for these two countries. Mr. Merchant said that State had considered as minimum figures aid of approximately $120 million for Austria and $165 million for Greece. He stressed that he was not requesting a revision in the MSA projections but wanted to bring to the attention of the other members the political damage that would probably result from these levels of aid. Mr. Cleveland asked whether State considered that this size of aid would put Austria on a "post war disease and unrest" level. Mr. Merchant replied that the situation in Austria is extremely inflexible because of Soviet occupation forces and the consequent inability of the Austrian Government to take decisive action. Mr. Cleveland suggested that since Greece and Turkey are to be admitted to NATO, it would probably be best to show them in the NATO part of the presentation and thereby reduce the number of special cases from 5 to 3. Mr. Merchant and Mr. Gordon expressed agreement with this suggestion; and the latter added that if solutions to the British and French problems can be reached, it might be possible to program additional aid for Austria.

Italy

9. Mr. Merchant said that it was the view of State that defense expenditures of $1120 million would probably be the maximum feasible for Italy in FY 1953 and that $110 million in aid for the same period was recommended. He added that these recommendations were being made primarily on the grounds of budget deficits. Mr. Cleveland asked whether it would be possible to show aid in excess

of the needs demonstrated by the balance of payments chart for Italy. The Chairman replied that the Italian question, as in other countries, was primarily one of utilizing *total* resources and that if the bottleneck for Italy is the supply of lira, the U.S. should not be restricted by figures which show a slight increase in Italian reserves. Mr. Harley said that he would question whether the budget deficits indicated are actually occurring. Mr. David Gordon pointed out that the Italian rate of expenditures runs far behind their rate of obligations.

10. It was agreed that the Italian country desk officers in State and Treasury would contact their counterparts in MSA for further discussion of this problem.

Norway and Denmark

11. The Chairman reported that the same considerations which prompted Mr. Harriman to request that $10 million in aid be set aside for Norway in FY 1952 would probably apply for FY 1953, and he also noted that there was the problem of dangerous comparisons between Denmark and Norway on the basis of such figures as those shown in attachment 4 of Mr. Cleveland's memorandum of February 15, 1952. Mr. Merchant said that State had been considering a token amount of aid to Norway in FY 1953 although not in an amount as great as $10 million. He then briefly discussed the problem of Danish coal imports and the U.S. commitment to Denmark. Following further discussion, it was tentatively suggested by the Chairman that $5 million of aid be included for Norway for FY 1953.

Belgium

12. Col. Theilen reported that Defense was agreed in principle to the proposal for selling some U.S. end-items to Belgium. However, Defense feels that this proposal should not affect past end-item programs, and that we should seek payment up to the amount contained in the proposal only for those items programmed for FY 1953.

13. It was agreed that the Committee would meet again on Thursday morning, February 21, for further consideration of the problems connected with the FY 1953 program for Europe. [6]

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[6] For a record of the MAAC meeting of Feb. 21, see *infra*.

No. 254

ECA-MSA-FOA files, lot W-13, "MAAC Action Summaries"

Mutual Assistance Advisory Committee Draft Minutes of Meeting, February 21, 1952, 3-6 p.m.[1]

SECRET
[MAAC M-13]

WASHINGTON, February 26, 1952.

Present:

Office of the Director for Mutual Security
- Mr. Gordon, Chairman
- Mr. Cabot
- Mr. Schelling
- Mr. Wolf

Department of State
- Mr. Merchant
- Mr. Barnett
- Mr. Cowan
- Mr. Jacobs
- Mr. Kranich
- Mr. Margolies

Department of Defense
- Col. Van Syckle
- Col. Thielen

Mutual Security Agency
- Mr. Cleveland
- Mr. Baum
- Mr. Gordon
- Mr. Stettner

Department of the Treasury
- Mr. Hebbard
- Mr. Harley

Bureau of the Budget
- Mr. Nelson
- Mr. Hirschberg

Secretariat
- Mr. Christensen

Office of Defense Mobilization
- Mr. Rock

FY 1953 Presentation Problems

Germany

1. The Chairman reported that an emergency issue had arisen in connection with Germany. According to reports from Bonn, the German Cabinet is vigorously opposed to the recommendation by the TCC Executive Bureau[2] of an 11.25 billion DM defense contribution by Germany, with this figure to include those expenditures for "defense purposes" in Berlin. According to reports from Mr. Harris, there was a possibility that the German Cabinet might make a decision by that night on the German contribution.[3] The Chairman said that there were three main questions involved: (1) whether the 11.25 billion DM contribution was exclusive of coun-

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[1] The identity of the drafting officer is not indicated on the source text.

[2] For documentation on the Temporary Council Committee of the North Atlantic Treaty Organization, see *Foreign Relations*, 1951, vol. III, Part 1, pp. 1 ff., and *ibid.*, 1952–1954, vol. v, Part 1, pp. 203 ff.

[3] For documentation on negotiations regarding the contribution of the Federal Republic of Germany to the Western defense effort in 1952, see *ibid.*, pp. 107 ff.

terpart, (2) whether the Germans are expecting U.S. aid for a defense contribution of this magnitude, and (3) whether there was sufficient time to indicate to the Germans the amount of aid that we intend to request from Congress for them in order to use the aid figure as a bargaining factor in securing the size German defense budget that we desire. Mr. Margolies said that another question was that of Berlin. The Germans have contended that the expenditures for Berlin should be counted as part of the defense contribution. If Berlin is excluded from their defense contribution, the question then arises as to who will pay for the support of Berlin.

2. The members then discussed in detail questions relating to the composition of the German defense budget, the use of counterpart funds for Berlin support requirements, and the question of using U.S. aid for FY 1953 as an immediate bargaining factor with the Germans. It was agreed that representatives of State and MSA should prepare a draft cable reflecting the views of the Committee for consideration prior to adjournment. The draft prepared was considered at the close of the meeting and as revised was approved for transmission to the field. (*Note:* This cable was sent to HICOG in Bonn as niact 1696, February 21, 1952, [4] and repeated for information to Embassy Paris as number 4969).

3. Immediately preceding adjournment, Mr. Harley reported that it was his understanding that Defense is proposing to take $30 million from the U.S. Treasury Surplus Property Funds for use in the rehabilitation of end-items in Germany which would be distributed in Europe as part of the U.S. end-item program. Consequently, this proposal may involve an additional $30 million in available funds for Germany. Mr. Margolies said it was his understanding that the surplus funds have already been committed for a different purpose. Mr. Hebbard said that under these circumstances Defense would be buying $30 million worth of DM's if they go forward with this proposal, and Mr. Harley noted that Defense is apparently planning to spend these funds within the next several months. The Chairman indicated that he would contact Defense for the details of this proposal and report to Mr. Harriman as soon as possible in view of the direct effect it would have on German aid requirements.

Military Expenditure Figures

4. The Chairman inquired as to the status of the re-examination of the military expenditure figures. Col. Thielen said that Defense still feels that the figures discussed earlier in the week are the best

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[4] Not printed; it stated that officials of the Federal Republic of Germany might be told that U.S. economic aid for Berlin would be forthcoming from a number of hitherto unemployed sources in order to offset proposed increases in the budget of the Federal Republic due to an assumption of new defense burdens under the European Defense Community. (740.5/2–2152)

available at this time. Mr. Cleveland said that MSA was still dissatisfied with the figures but that they had no facilities available to prepare better ones. He added that the trade adjustment figure will be worked into the internal accounts tables instead of showing it as a one line adjustment at the end. The total adjustment, he continued, will probably be about $200 million instead of the $300 million originally estimated. Mr. Baum reported that the Working Group had not yet completed its analysis of the defense expenditure figures but that there has been some discussion of sending the present figures to our country team in France for a spot check. Mr. Cleveland indicated that such a spot check would be undertaken under the terms of an agreement reached with Assistant Secretary McNeil of Defense in order to check the discrepancies between the Defense estimates and those of the French on the amount of U.S. expenditures that actually accrue to the French Government. Mr. Merchant asked whether the $100 million now available through the reduction in the trade adjustment figure would help to cover the gap in country aid funds. Mr. Cleveland said it would help somewhat, and Mr. Baum pointed out that the adjustments would be largest in the countries that need aid the most.

Changes in MSA's Projections of Title I Defense Expenditures and Aid

5. A memorandum from Mr. Cleveland to the other members of MAAC[5] was circulated recommending changes in the MSA projections for Title I. The following changes were suggested: France—defense expenditures increased from 3,700 to 3,800 and aid reduced from 400 to 380; Italy—aid increased to 110; Netherlands—aid reduced to 80; Norway—aid increased to 10; the U.K.—aid reduced to 639.

6. With reference to France, the Chairman said that the question of defense expenditures was a most serious one. He pointed out that the FY 1953 program was supposed to be ready by March 4; and although there may be some slippage in this date, it will be necessary to keep it to a minimum. He pointed out that the French problem must be solved very quickly and asked what effect the lack of a definite figure for France would have on the other Title I figures. Mr. Cleveland said that the French case might not be as difficult as originally thought since the only factor affected on the translation of the defense expenditures into forces would be their

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[5] Not specifically identified from Department of State or Mutual Security Agency files. Presumably it was a further elaboration or comment upon Mutual Assistance Advisory Committee document MAAC D-4 of Nov. 29, 1951 entitled "Review of FY 1952 Economic Aid Commitments and Requirements—Title I and Review of FY 1953 Economic Aid Programs for Europe." (ECA-MSA-FOA files, lot W-13, "MAAC Documents")

state of readiness. Mr. David Gordon pointed out that one factor that reconciled the difference between the French defense expenditure figures was the allowance for inflation of 40 billion francs in the French budget. Although the French estimates are on the price basis of 1951-1952, the Chairman noted that they are already considerably above this level and are expected to rise even more. Consequently, this may be a serious factor in the presentation to Congress. He asked what MSA's timetable was for the preparation of its final figures. Mr. David Gordon said that it would be necessary for MSA to complete its figures by the first week in March. Following further discussion, it was agreed to postpone further consideration of the level of French defense expenditures and U.S. aid to France until the following Monday (February 25).

7. With reference to Italy, Mr. David Gordon reported that the Working Group at its meeting on February 19 had discussed the Italian situation and had arrived at the unanimous conclusion that from a political standpoint and from the point of negotiations, Italy's aid should be increased by $35 million through reductions in aid for France and The Netherlands. It was also agreed to reduce Italy's defense expenditures from $1,120 million to $1,075 million. Mr. Kranich asked whether it was considered wise to reduce any of the defense expenditure figures below the levels recommended by the TCC. The Chairman replied that the main purpose in a reduction is to have the figures closer to reality and prevent giving an overly optimistic picture of what can be expected from aid. Moreover, the recommendation of the TCC Executive Bureau for Italy was made with grave doubts, particularly on the part of the French and British members. He said that he did not feel the U.S. should take a rigid position that these figures developed in December were completely right. Mr. Hebbard asked whether the estimate of an increase in Italian reserves assumes a change in Italy's EPU position and whether that change was reflected in the figures for the other countries. Mr. David Gordon reported that these changes would be worked out in the MSA tables, U.S. aid for Italy will be used to increase imports and for development programs thereby helping Italy to achieve a balance in the EPU.

8. With reference to Norway, Mr. David Gordon reported that $10 million was the minimum feasible amount of aid; and, therefore, an increase of $5 million had been recommended.

9. With reference to the U.K., the Chairman indicated that he would like to have an aid figure no higher than $600 million aid if possible to use the remainder of the aid contemplated for procurement in Canada for the U.K. Mr. Cleveland reported on the results of the conversations held with representatives from the British Embassy in which the questions of the U.K. defense expenditures and

the decline in reserves were discussed. He reported that a cable had been sent out (Musto 225, Feb. 20)[6] on the results of the conversations but that in view of the lack of information at the Embassy it had been decided to send a U.S. representative to London the following day for discussions with the British. On this basis, it is hoped that the necessary facts and the assumptions of the British will be available by the middle of next week (February 27). He reported that in a conversation with Mr. C. Tyler Wood the latter had indicated that aid for the U.K. should not be more than one-half of the total for Title I and that if possible we would not show a decline in the U.K. reserves for 1953. He said that the net result will probably be a reduction of the deficit for the U.K. shown in MSA's figures and that some of the deficit will be covered by aid. An additional problem he concluded will be the length of time necessary to build up the pipeline to the U.K. as a result of recalling aid.

10. With the above reservations on the U.K. and France, the following revised projections were approved by the Committee:

(In millions of dollars)

	Defense Expenditures	*Defense Support*
France	3,800	380
Italy	1,075	110
Norway		10
United Kingdom		639

Belgium

11. The Chairman recalled that at the meeting of February 18[7] Defense had agreed to the proposal for selling to the Belgians a portion of the end-items which will be programmed for them in FY 1953, with the reservation by Defense, however, that such a proposal must not lead to a position where all U.S. end-items would be cut off for Belgium. The Chairman indicated that the figure proposed might be too high but that a specific proposal should be developed for presentation to the Belgians. He recalled that the U.S. has already indicated that it would not program end-items which the countries can procure in Europe. Col. Thielen said that this was true but that it is necessary that there be specific production

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[6] Not printed; this three-page telegram dealt with problems encountered by the MAAC in devising a suitable aid program for the United Kingdom in fiscal year 1953 and included summaries of conversations between MSA officials and members of the British Embassy at Washington. (741.5 MSP/2-2052)

[7] For a record of Feb. 18 meeting of the MAAC, see the minutes, *supra*.

in being before we refuse to program such items. He reported that JAMAG and the MAAG in Belgium had started a thorough screening process on the Belgian end-item program several weeks ago. He pointed out that it is particularly difficult to find essential long-lead time items already in production and available. Mr. Cleveland said that procurement by the Belgians in Europe would have the same effect as the proposal to sell U.S. end-items but that it will require considerable initiative to achieve the desired results and there will be a greater chance of success if the U.S. pushes its proposal. Mr. Kranich said that another possibility arises from the indication in the Belgian response to the TCC Report that their production of some items will taper off in FY 1953 and 1954. If requirements are accelerated, it will be necessary to increase obligations in those years; and he said we should make certain that we do not supply these types of goods. Col. Thielen pointed out, however, that Belgium has already brought its forces to a higher state of readiness. Mr. Barnett said that the country desk and regional level officers in State were in agreement that the U.S. bargaining position would be very weak in the event of a showdown with the Belgians. Moreover, negotiations on the proposal would probably take many months and the U.S. position will be dependent upon the willingness of Defense to suspend end-item deliveries if the Belgians refuse our offer.

12. Mr. Hebbard said that it was impossible to separate this proposal from the EPU and recalled Treasury's reservations concerning the latter. Treasury's position is that the U.S. should not put any more dollars into the EPU and he also expressed concern over making definite assurances on the amount of offshore procurement planned for Belgium in FY 1953. He asked whether the Belgians would actually achieve the additional effort recommended by the TCC through this proposal. The Chairman replied that in effect the real Belgian effort would be higher. He said the result would be the same as if the Belgians bought $360 million of end-items in Europe thereby relieving the U.S. of this burden and leaving us free to use this sum for other aid purposes. Mr. Schelling said that the proposal really amounts to the Belgians buying equipment in the U.S. with the U.S. taking payment in "EPU's" which could be spent in Europe for other European countries.

13. It was agreed that MSA would develop a draft negotiating paper on the proposal for selling some end-items to the Belgians, in consultation with Treasury, Defense and State. On completion of an agreed draft, it will be forwarded to Ambassador Draper and the Belgian Country Team as a draft instruction for their comment. It was also agreed that the legal advisors would be consulted

with reference to the legal authority for spending Belgian francs in connection with the proposal.

No. 255

Editorial Note

In a national radio and television address on March 6 President Truman urged continuation of the Mutual Security Program for fiscal year 1953 as "essential to advance our program of world peace and to protect the security of the United States." In order to implement the program, the President requested a Congressional allocation of $7.9 billion, $5,889 million of which would go to Europe in the form of direct military aid ($4,070 million) and defense support ($1,819 million). (*Public Papers of the Presidents of the United States: Harry S. Truman, 1952–1953,* pages 191–196)

Both the Senate Foreign Relations and the House Foreign Affairs Committees began hearings on extension of the Mutual Security Program on March 13. Secretary Acheson and Mutual Security Director W. Averell Harriman testified on behalf of the Administration request before the Senate committee on March 13, and their statements are printed in Department of State *Bulletin*, March 24, 1952, pages 463–471. Hearings before the House committee concluded on April 29. (82d Congress, 2d Sess., House Committee on Foreign Affairs; *Mutual Security Act Extension: Hearings on H.R. 7005, March 13–April 29, 1952)* Hearings in the Senate lasted until April 4 and resumed May 8–13. (82d Congress, 2d Sess., Senate Committee on Foreign Relations; *Hearings on Bill to Amend Mutual Security Act of 1951 and Other Purposes, March 13–April 4, May 8–May 13, 1952*) During this period, officers of the Mutual Security Administration and members of the Joint Chiefs of Staff as well as General Alfred M. Gruenther, Chief of Staff, Supreme Allied Commander, Europe, testified in both open and executive sessions. Highlights of General Gruenther's testimony of March 26 are printed *infra*; for a summary of the testimony, in executive session, of General Omar Bradley, Chairman, Joint Chiefs of Staff, see Document 258. Further documentation relating to Congressional testimony during March and April by members of the Mutual Security Agency is in MSA files, lot W–3127, "Congressional Testimony".

On May 11 the House Foreign Affairs Committee reported out a $6.9 billion measure which, after floor debate and a further decrease of $726 million ($615 million of which was for economic aid to Europe) as a result of amendments proposed by Representative

John Vorys (R.-Ohio), passed by a vote of 246–109 on May 23. A Senate bill, also authorizing $6.9 billion, passed on May 28 by a vote of 64–10 with amendments by Senator Henry C. Dworshak (R.-Idaho) barring use of funds to publicize the Mutual Security Program in the United States and by Senator James P. Kem (R.-Missouri) barring all aid to countries exporting strategic goods to the Communist bloc. A Conference report, minus the Kem Amendment, was approved by the House 230–115 on June 5 and by the Senate 59–11 on June 9. Public Law 400, the Mutual Security Act of 1952, was signed into law by President Truman on June 20, 1952. (66 Stat. 141) For information on the provisions and regional and functional breakdown of the funds allotted in Public Law 400, see Document 263.

No. 256

ECA-MSA files, lot W-745, "Congressional Testimony"

Memorandum Prepared in the Mutual Security Agency [1]

SECRET

Highlights of Congressional Testimony by General Alfred M. Gruenther Before the House Foreign Affairs Committee, March 26, 1952 [2]

AFTERNOON SESSION

1. General

The Committee members echoed the sentiments of Representative Ribicoff when he stated that General Gruenther was the best witness that he had ever listened to before the Committee. The General was applauded at the end of his testimony.

2. Germany

Representative Ribicoff wondered whether a unified Germany might not upset the power balance in Europe. He pointed out if Schumacher were to be elected, which might be the case in a unified election, the likelihood of a neutral Germany would adversely influence the prospects for the Western Europe allies. General

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[1] The drafting officer was not identified in the source text.

[2] A note on the source text reads: "This testimony was given in Executive Session, and contained some highly classified information. Only a limited number of copies of this document have been prepared. Please restrict its distribution to the addressees indicated below." Those on the list at the end of the source text were Kenney, Wood, FitzGerald, Cleveland, Gordon, Stettner, Hulley, Lippincott, Baum, and Porter.

Gruenther agreed that there was such a danger, but questioned whether we had any alternative. Germany cannot be kept divided indefinitely. There are also risks to the Russians in a free election and he doubted whether they would be prepared to accept one.

3. UK and NATO

Representative Smith was confused on the relationship of the British forces to the European Army [3] and the NATO Army. General Gruenther explained that Britain was participating fully in NATO although not in the EDF. He felt personally that the British might have been more skillful in their response to the invitation to join the EDF; however, their cooperation in NATO "couldn't be better." He agreed with Chairman Richards that Britain had always been cooperative in providing airfields for the infrastructure program. He then added a note of moderation on the attitude which we should adopt in our dealings with the European governments. He did not feel that prodding would be in our interests. We had assumed the role of world leaders and had to act accordingly, in a cooperative spirit.

4. French Communism

Chairman Richards asked whether the French Communist party was a danger to our security. General Gruenther replied that French Communists were not a problem in the Army. They generally lost the influence of their family background when they joined the armed forces. In addition, an effort was made to keep them from sensitive positions. He was more concerned about the de Gaullists' position on the NATO program.

5. Offshore Procurement

Representative Bolton wanted to know whether the offshore procurement program was worthwhile. General Gruenther replied that strengthening the European economy is an inseparable part of the military program. Some equipment can be produced more cheaply in Europe than in the United States. Representative Bolton asked whether country offshore procurement figures would be presented to the Committee and was informed that they would. Later in the testimony, Representative Fulton and others said that they would want to know why, when tanks were in short supply, there was idle capacity for tank production in Europe which was not being used.

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[3] Reference is to the European Defense Force to be established under the proposed European Defense Community; for documentation, see vol. v, Part 1, pp. 571 ff.

6. Spain

Representative Bolton wanted to know why we could not support Don Juan rather than Franco in Spain. General Gruenther said it was his impression that support for any group other than Franco's party would be very difficult to achieve.

7. Grand US Strategy

Representative Javits asked General Gruenther for a public statement on US global strategy to use in connection with the presentation of the Mutual Security Program on the Floor of the House. It was agreed that such a statement would not be appropriate for security reasons.

8. Cutting the Program

Chairman Richards asked the perennial question of how a $1 billion cut in the program could be carried out. General Gruenther said that he did not know enough about the specific contents of the bill and urged the Committee to ask other witnesses instead. He doubted whether Congress had the wisdom to judge by itself how a cut in aid should be apportioned. They might discover, upon examining the defense support program, that they would prefer to cut end items and leave at least a certain sum for defense support. If he were a Congressman he would want to know about the transferability of funds and specific items would be utilized. He agreed with Mrs. Bolton that Mr. Harriman was best qualified to apply a cut in the program.

Representative Vorys observed that, according to General Gruenther, none of the $3 billion of end items requested in the 1953 program would be delivered prior to June 1, 1953. He concluded that we were therefore a year ahead of the Europeans. He objected to the fact that Pentagon figures were always provisional and the stuff in the program never was delivered. He felt perhaps that Congress should make its funds provisional also. He quoted Secretary Lovett to the effect that there had been no integrated NATO plan before April 1, 1951, the date that SHAPE headquarters was established. General Gruenther said that the effect of the position outlined by Representative Vorys would be bad in Europe and even worse in the US. He emphasized that this program is buying our own security as well as that of Europe. Our objective is to achieve an equilibrium in Europe as quickly as possible. Representative Vorys' proposal would delay the program and should not be accepted by the United States. There was, of course, a great deal of military planning of an integrated character prior to the establishment of SHAPE. It is true that the 1953 forces are provisional but this is in the nature of the program. Present estimates are the best which can be made. Unfortunately equipment cannot be delivered by the waving of a wand and it is necessary to program and obligate funds well in advance of the need for delivery.

Representative Ribicoff wanted to know who should advise Congress about cutting the program. There was considerable discussion within the Committee on the subject, and expression of dissatisfaction with the evidence received so far. Chairman Richards again stated his conviction that Congress would be bound to cut the program. General Gruenther stated that in his view the program should not be cut, but that, if it were cut, Congress should study carefully what the effect would be and make sure that there would be adequate flexibility. He was not personally familiar with the detailed effects of a cut in the defense support program. Representative Ribicoff asked that the answer be provided by lower echelon personnel in the Government, the people with eyeshades who actually did the work.

Representative Javits wanted General Gruenther to state officially his approval of the money values in the program. General Gruenther said he was not competent to do so. SHAPE's responsibility ended upon providing the Defense Department with a list of units which had to be supplied; the Pentagon generally cut back the equipment required for these organizations. Representative Javits then asked General Gruenther to state whether the items in the program were adequate to meet the force targets. Colonel Thielen indicated that the Defense Department would testify on the subject at greater length.

No. 257

Editorial Note

On March 27 the Office of the Director for Mutual Security prepared a paper entitled "Programming and Operating Procedures For the Mutual Security Program." This paper, designated MS D-203/53, was prepared for the use of agency witnesses at the House and Senate committee hearings in connection with the 1953 Mutual Security Program and was cleared by both the Department of State and the MSA. The paper noted that the Mutual Security Act of 1951 placed responsibility for the continuous supervision and general direction of the Mutual Security Program in the Director for Mutual Security "in order that military and defense-supporting economic assistance and technical assistance shall be administered as parts of an effectively integrated program both at home and abroad."

The paper further stated that the operating agencies of the Mutual Security Program were the Department of Defense, the Mutual Security Agency, and the Technical Cooperation Administration of the Department of State. The above agencies were primarily responsible for the development, administration, and review of their own programs within the framework of mutual security policies established by the Director for Mutual Security.

No. 258

ECA-MSA files, lot W-745, "Congressional Testimony"

Memorandum by Warren Baum of the Mutual Security Agency

SECRET WASHINGTON, March 31, 1952.

HIGHLIGHTS OF CONGRESSIONAL TESTIMONY BY GENERAL OMAR N. BRADLEY, CHAIRMAN, JOINT CHIEFS OF STAFF, BEFORE THE HOUSE FOREIGN AFFAIRS COMMITTEE, MARCH 28, 1952 [1]

1. Soviet—US forces

General Bradley described the current state of the build up of American and Soviet forces at considerable length. His testimomy was top secret and off the record and cannot be reproduced here.

2. Need for defense support

Representative Bolton wanted to know whether the $1.8 billion of defense support could be translated rapidly into equipment in view of the fact that our delivery schedules were lagging. General Bradley answered that he attributed great importance to the defense support program. The US could not afford to carry the responsibility for equipping European forces for ever. That part of the program which helps to encourage production in Europe is therefore very helpful. Europe needs assistance with its dollar balances and must have an adequate supply of raw materials or else it will be unable to produce the necessary military items. Without defense support, Europe would have to divert its resources from military production to exports. He referred to the British interceptor aircraft as the type of European production which it was essential that Europe be able to continue with our support. Representative Hays asked whether defense support was therefore as vital as the end item program. General Bradley replied that it was in his opinion.

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[1] See footnote 2, Document 256, for classification notation found on the source text.

3. MDAP deliveries

There was a very lengthy discussion, off the record, of the whole production and delivery problem in the US. The Committee indicated a strong desire to get to the bottom of the production problem and to discover why the funds which had been appropriated were not being spent more rapidly. It was indicated that Charles Wilson might be asked to testify, together with Defense Department witnesses on the subject.

No. 259

740.5 MSP/5-752

Memorandum of Conversation, by Roderick H. Riley of the Office of German Economic Affairs

SECRET WASHINGTON, May 7, 1952.

Subject: Allocation of Cut in MSA Aid

Participants:

EUR—	GEA—
Mr. Martin	Mr. Fowler
Mr. Vass	Mr. Riley
Country Desk Officers	

The meeting was called by Mr. Martin as the first step in preparation for a meeting he will have with Messrs. Lincoln Gordon and Harlan Cleveland on Friday to discuss the MSA proposals for defense support in Title I.[1]

He opened the session by circulating a tabulation (copy attached) showing what the reduced illustrative figures of defense support aid would be if the proposed Senate cut of $1 billion were prorated over the participating countries. Such a cut (12.66 percent) would reduce the German illustrative figure from $160 million to $139.5 million.

Mr. Martin first asked for views on the adoption of a prorata cut in preference to a selective distribution of the $1 billion. The discussion was inconclusive, but it was the consensus that so many further adjustments would become necessary in the course of the actual programming that the essential point should be to retain transferability and other flexible features and that at the appropriation stage a prorata cut might be more satisfactory than any weighing of factors affecting the countries individually.

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[1] The meeting under reference has not been further identified.

With this general proposition in mind, Mr. Martin nonetheless wished to identify countries where the second column aid figure might be considered relatively "soft" and those to be considered relatively "hard".

With respect to Germany it was explained that the adequacy of the illustrative figure of $160 million depended largely on the amount of Defense Department expenditures which shows up in the German economy, that the latest information on dollar accruals to the BdL indicate that the MSA estimate of $227 million for fiscal 1953 from this source might prove well justified, and that an aid figure no greater than $160 million might therefore prove adequate. How much below this level it would be possible to go without economic difficulties could not be stated. It was added that GER is inclined to be optimistic with respect to the German economy, that in these terms the German figure could be regarded as potentially "soft", but that to treat it thus would be to disregard the political setting in which aid would be negotiated.

Mr. Martin was fully up-to-date on the representations which Adenauer and Schaeffer had made. [2] Mr. Fowler explained it was the view of GER that, while we might well agree with HICOG that the German budgetary difficulties were being considerably exaggerated, we were not free to disregard the political pressure which might be brought to bear with the result that a disproportionate cut of planned German aid might add seriously to our difficulties in securing our objectives in Germany.

The meeting was a brief one, adjourning shortly after 5. Mr. Martin was to communicate to the interested offices what he learned of the MSA proposal and the results of the conference with Messrs. Gordon and Cleveland.

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[2] For documentation on negotiations regarding the financial aspects of the proposed contribution to Western defense by the Federal Republic of Germany, following the Ninth Session of the North Atlantic Council at Lisbon, Feb. 20–25, 1952, see vol. VII, Part 1, pp. 328 ff.

[Attachment]

Memorandum by Laurence C. Vass of the Office of European Regional Affairs

SECRET WASHINGTON, May 7, 1952.

DEFENSE SUPPORT

(In millions of dollars)

Country or Item	*1953 Request*	*Senate Action*
Austria	85.0	75.2
Belgium/Luxembourg	—	—
Denmark	20.0	17.5
France	420.0	367.0
Germany (Fed. Rep.)	160.0	139.5
Greece	145.2	126.6
Iceland	1.0	0.9
Italy	110.0	96.2
Netherlands	80.0	69.8
Norway	10.0	8.7
Portugal	—	—
Spain *	—	—
Turkey	70.0	61.2
United Kingdom	590.0	516.0
Yugoslavia	78.0	68.2
Total Country Distribution	1,770.2	1,546.8

Undistributed Assistance		
Technical Assistance	22.0	19.2
Basic Materials Development	27.0	23.6
Total Undistributed Assistance	49.0	42.8
Total Request—Title I	1,819.2	1,589.6

* Funds proposed for assistance to Spain in 1953 are included in unexpended carryover from 1952. [Footnote in the source text.]

No. 260

DMS files, lot W-1425, "Europe—Defense"

Memorandum by the Assistant Director for Europe of the Mutual Security Agency (Cleveland) to the Chairman of the Mutual Assistance Advisory Committee (Gordon) [1]

CONFIDENTIAL WASHINGTON, May 9, 1952.

Subject: Preliminary Estimates of the Impact of Potential Reductions in Defense Support for 1952/53 on European Defense Expenditures

Attached to this memorandum is a table [2] showing our proposed redistribution of the illustrative defense support figures, by countries, for Title I, on the basis of possible reductions in defense support of 12.66 percent and 10 percent, respectively, from the total requested; and estimates of the impact of the reductions in defense support on the countries' defense expenditures. Attached, also, are brief statements for each of the countries where a cut in defense support is indicated, describing the impact of an overall cut of 12.66 percent; the same line of reasoning can be used in adjusting to a 10 percent overall cut, for those countries that have different illustrative aid figures in the two models.

The Basis of the Distribution of the Cut in Defense Support:

The overall reduction of 12.66 percent, or $224.1 million, was distributed on the basis of the following considerations:

(a) no cut for Yugoslavia because of the U.S. commitment involved in the tripartite agreement; [3]

(b) no cut for Turkey because of the high value in terms of defense obtained for the small expenditures on each Turkish soldier;

(c) no cut for Norway because the original amount requested is so small that it would be meaningless to reduce it and would have disproportionate political repercussions;

(d) no cut for Iceland for the same reasons and because we are committed to finance the dollar costs of completing certain projects;

(e) a smaller than proportionate cut for Austria, in view of its economic needs;

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[1] Copies of this memorandum were sent to the Departments of Defense and Treasury, the Office of the Director for Mutual Security, and to Edwin M. Martin.

[2] Not printed.

[3] Reference is to the 1951 agreement between France, the United Kingdom, and the United States regarding the means by which the three countries would extend aid to Yugoslavia; see the editorial note, *Foreign Relations*, 1950, vol. IV, p. 1482.

(f) for Germany, a cut of 25 per cent, in large part because it appears unlikely that the Contractual Agreement [4] and the EDC Treaty [5] will be concluded in time for Germany to make the defense contribution to which the original illustrative figure for defense support was related;

(g) a reduction of 25 percent for Denmark because there is a prospect that her requirements for dollar coal in FY 1953 will be lower than was earlier projected and because her level of defense expenditure is relatively low;

(h) a cut of $28 million for Greece in view of the prospect of a lower dollar deficit than was earlier projected;

(i) for Italy, a cut somewhat less than proportionate because of the special budgetary problems and political considerations involved in that country;

(j) approximately proportionate cuts for France, the Netherlands and the United Kingdom.

In distributing the smaller cut of 10 percent in defense support, or $177 million, we propose restoring some of the above cuts to Denmark, France, the Netherlands and the United Kingdom.

Impact of the Reduction in Defense Support:

With a cut in defense support of $224.1 million (12.66 percent of the requested appropriation) defense expenditures in the NATO countries (excluding Greece and Turkey) plus Germany will decline an estimated $495 million. This estimate based on a country by country analysis indicates that defense expenditures in the aforementioned countries will decline about two and one half times the reduction in defense support. There is no special mathematical formula underlying the result. Rather, the multiplier effect reflects a number of special factors particularly in Belgium and Germany, and the particular distribution of the cut in defense support among the various countries.

We have assumed, in the case of Germany, only about one month's slippage in the signing of the EDC Treaty and the Contractual Agreement. At the present moment it seems more likely that there will be a slippage of at least three months. Therefore, if it is politically feasible to go to the Appropriations Committee with a greatly reduced figure for defense support for Germany, on economic grounds it appears that defense support can be reduced below the level of $120 million, which is now provided for under the reduced aid assumptions. Each month of slippage in the signing of the Agreements involves a reduction of about $60 million in anticipated German defense expenditures. Therefore, if there is a three-month delay, defense expenditures will be about $180 million less than anticipated.

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[4] For documentation on the negotiations leading to the signing of the Convention on Relations between the Three Powers and the Federal Republic of Germany on May 26, 1952, see vol. vii, Part 1, pp. 1 ff.

[5] For documentation on the interest of the United States in the establishment by treaty of a European Defense Community, see vol. v, Part 1, pp. 571 ff.

We will consider further the whole question of the distribution of the cut in defense support as we complete more detailed work on each of the countries. We would, therefore, appreciate your comments by Friday, May 16, 1952.

HARLAN CLEVELAND

[Attachment 1]

Paper Prepared in the Mutual Security Agency

BELGIUM–LUXEMBURG

Impact of Reduced Aid to Europe on Estimated Belgium–Luxemburg Defense Expenditures

Although no aid is planned for Belgium in 1952/53, the proposed reduction of defense support to other countries would necessarily have an important impact on Belgium's defense expenditure. This impact would arise from the effect of the reduction of aid on Belgium's exports to the EPU area.

This reduction of 12.66% in aid to other EPU countries would force those countries to reduce their EPU deficits by curtailing imports, including those from Belgium. This development would effect some reduction in economic activity in Belgium; principally, an increase in unemployment arising from the decline in the export trade accompanied by increased unemployment relief and losses in tax revenue. It is assumed that this deterioration in the government's fiscal position, at a time when there was already a considerable budgetary strain would lead to a decrease in defense expenditure. Since the ability of Belgium–Luxemburg to finance the proposed defense expenditure stems from its export surplus, the curtailment in exports, is expected to result in a decrease in defense expenditure equal to $67 million, reducing the total from $713 to $650 million.

[Attachment 2]

Paper Prepared in the Mutual Security Agency

DENMARK

Impact of Reduced Aid on Estimated Defense Expenditures

The impact of a reduction of $5 million in defense support to Denmark can be illustrated as follows:

Reduction in illustrative aid amount		5
Offsets		–
Increased imports from non-dollar sources	0.5	
Increased dollar exports	1	
Total offsets		1.5
Net reduction in imports		3.5

Since lower total consumption in the entire European area may be assumed if there is reduced aid, Denmark could probably obtain from alternate markets as much as half a million dollars worth of goods that previously were projected from dollar sources.

The use of $11 million reserves shown in the 1952/53 projections based on $20 million aid is considered the maximum feasible, particularly in view of the estimated use of $8 million in 1951/52. Danish reserves at the end of 1952/53 will be at about the lowest point reached in the post-devaluation difficulties and well below the 1947/48 amount.

Danish dollar exports were projected at a maximum in the "$20 million-aid" assumption. However, certain food items such as canned meats, for which there is a dollar market, could be diverted from the Danish home market and exported since lower domestic consumption level will result from the lack of aid. This would make about $1 million available for increased self-financed imports.

Because of Soviet bloc demands for embargoed goods, the Danes have not been able to obtain satisfactory trade agreements with Eastern countries. Since there is little that the Danes can offer in which these countries are interested, it is not likely that the Danes would be able to offset reduced imports from the dollar area by increased imports from behind the Iron Curtain.

Consequently, if a $5 million reduction in the illustrative aid figure is effected, goods and services valued at an estimated $3.5 million could not be financed from Danish resources and would be completely lost to the Danish economy.

The loss in GNP caused by loss of dollar imports will be substantial since dollar imports are key items in the Danish economy and many sectors are wholly dependent on them for marginal increases in their output. For example, marked reductions in both quantity and quality of output of livestock products and in size of the herds could be a direct result of reductions in the available supply of protein feedstuffs. The direct and indirect effects of the loss of $3.5 million of imports is estimated at $27 million. When the loss in net foreign balance is added, total availabilities are reduced by $36 million.

Civilian consumption, more than any other part of the economy, would bear the brunt of the loss in resources, and would absorb a reduction of about $16 million. Investments would be reduced by $6 million, although this reduction will have a depressing influence on the GNP in 1952/53 and subsequent years.

On the whole, non-military Government services cannot be greatly reduced. It is estimated, however, that a cut of $2 million below the previously estimated level for 1952/53 can be made reducing the budget to the 1951/52 level; civilian defense would probably bear most of this loss.

Finally, the remainder of the impact of reduced availabilities resulting from the cut in aid would be on the defense program which would be reduced by $12 million from $152 million to $140 million.

[Attachment 3]

Paper Prepared in the Mutual Security Agency

FRANCE

Impact of Reduced Defense Support on Estimated Defense Expenditures

The impact of the $50 million cut in defense support will fall entirely on imports. However, since of the $50 million reduction, $10 million would have remained in the pipeline as of June 30, 1953, imports in 1952/53 will be reduced by $40 million (cif basis).

No increase in exports, to offset the cut in defense support, can be expected since the structure of present French prices is such that the relatively limited foreign market for French exports is already strained by the present estimate of the volume of exports in 1952/53. An increase in exports could be anticipated only in the event of a very considerable strengthening of the present disinflationary efforts in France plus a devaluation of the franc. Neither of these developments can be counted upon within the near future.

The reduction of $40 million in FY 1953 imports in calculated to reduce overall French availabilities by $216 million (1951/52 prices), including a fall in gross national product of $178 million, and in the net foreign balance of $38 million.

It is calculated that the reduced availabilities would be distributed in the following manner:

(a) Given the institutionalized welfare pattern of the French economy, it can be expected that personal consumption would fall by a relatively small amount, or $63 million. This loss would be concentrated to a substantial extent among persons closely associated with industries primarily affected by the loss of imports and reduced military outlay.

(b) The reduction in investment is estimated at $35 million.

(c) Civilian government consumption is expected to remain constant since a large percentage of the civilian budget in France is composed of transfer payments of various sorts and of welfare expenditures, neither of which could be expected to decline under the circumstances assumed.

(d) The remainder of the reduced availabilities, therefore, or $118 million will come out of the defense program. Reduced gross national product will also result in a reduction in tax revenues and customs duties in addition to the loss to the French Treasury of the counterpart of $50 million of aid. The loss of revenue will intensify the need for reduced military expenditures.

The reduction in military expenditures will fall entirely on the NATO portion of the military budget, since it is assumed that the Indo-Chinese hostilities will continue and their cost cannot be reduced at this time. Other things being equal, it can be anticipated that the reduction in military outlay in Europe will fall mainly on production and construction, with the full impact being felt in an earlier and more considerable flattening out of production in the spring of 1953 than had been anticipated in the original calculation. Inasmuch as the French are financing less than $700 million in military production in FY 1952, and a considerable share of that total is going to Indo-China, a reduction of $118 million in this item would have a very considerable impact on the French contribution to Western European buildup plans.

[Attachment 4]

Paper Prepared in the Mutual Security Agency

GERMANY

Impact of Reduced Defense Support on Estimated Defense Expenditures

A reduction by $40 million in FY 1953 defense support to Germany, lowering the illustrative support level to $120 million will adversely affect and reduce dollar imports and GNP, and the consequent repercussions on Gross National Product and on the budget will cause an estimated $88 million decrease in defense expenditures.

The immediate effect of this reduction will be cut in dollar imports of $21 million; part of the cut in defense support is offset by the amount which would have remained in pipeline at the end of fiscal 1953 ($18 million) and part by an improvement in the services account ($1 million).

No change in reserves is projected because the German reserve position is at a very low level. The reduction in imports cannot be made good from non-dollar sources since Germany has already made strenuous efforts to shift to non-dollar area procurement. Although German exports to the dollar area were under the full illustrative aid assumption projected at a substantially higher level than in 1951/52 (German dollar exports will cover a larger proportion of dollar imports than in most European countries) it is anticipated that with the reduction in aid, Germany will attempt to further increase exports to the dollar area. However, the fact that defense support levels of other EPU countries are to be reduced will probably result in a reduction in German earnings from EPU about counterbalancing the increase in exports to the dollar area.

The decline in GNP brought about by a loss of imports will be reinforced by the effect of a loss of counterpart funds, which in Germany are used primarily for the elimination of industrial bottlenecks via investment in the basic industries, particularly coal, steel and power.

The total GNP reduction resulting from reduced imports and a lower rate of investment in basic industries is estimated at $150 million. The resultant decline of available resources will be divided more or less equally between consumption, investment and government services.

A reduction of government revenues is unavoidable if the GNP declines. At the same time, a lower rate of economic development means that a smaller proportion of the increasing labor force can be absorbed, resulting in some increase in social welfare expenditures.

While not large in absolute magnitudes, the combination of increased welfare expenditures and decreased revenues will sharpen the well-developed German fear of inflation and cause a reduction of military expenditures to avoid futher imbalance in the budget. The minimum reduction which would result is the $88 million referred to above.

Limitations on the Foregoing Analysis

A German defense contribution at an annual rate of DM 11.25 billion ($2.6 billion) will not commence until the coming into force of the contractual agreement and the Treaty establishing the European Defense Community. Hence, if the complex negotiations establishing such agreements extend beyond July 1, 1952, there would be a reduction in the German contribution apart from the effect of reduced defense support. The net loss to Western defense would be the difference between the higher rate of expenditures proposed and the present level of occupation costs, since the latter will continue until the conclusions of the above agreements.

[Attachment 5]

Paper Prepared in the Mutual Security Agency

GREECE

Impact of Reduced Defense Support on Estimated Defense Expenditures

It is estimated that a reduction in FY 1953 defense support for Greece by $28.1 million, from $145.2 million to $117.1 million, will result in a reduction of about $15 miilion in Greek military expenditures during FY 1953.

The maintenance of the present very large Greek defense effort constitutes an extraordinarily heavy burden upon the Greek economy, because of Greece's poverty of economic resources and very low civilian consumption level. However, since it is in Greece's own interest to maintain, insofar as possibie, its effective military strength regardless of the magnitude of U.S. assistance, it is anticipated that, rather than endanger Greece's security by reducing the country's military strength, the Greek Government will first endeavor to divert additional resources to the military establishment. The Greek Government has already initiated a program of severe fiscal and financial measures designed to insure the maximum possible defense effort despite recent large reduction in the levels of

U.S. assistance. Although U.S. assistance has declined to the proposed level of $145.2 million in FY 1953 from a level of about $300 million in FY 1951 and a level of about $180 million in FY 1952, Greece's military expenditures have remained near the high point attained during the period of guerrilla warfare. It is anticipated that the Government's present program, which includes measures for the reduction of non-military budget expenditures for welfare and investment purposes and increased taxes designed to curtail civilian consumption, can be intensified sufficiently to bring about a further diversion of about $13 million in available resources from the civilian economy to the military establishment during FY 1953. However, in view of Greece's poverty, reductions in civilian consumption much beyond this level would probably result in marked social instability, thus weakening the base of the military effort.

It is further anticipated that the estimated reduction of $15 million in Greek FY 1953 military expenditures resulting from the proposed reduction in defense support would not decrease the size of the Greek armed forces. Instead, it is assumed that the Government would maintain the armed forces at their present strength and reduce expenditures upon roads, airfields, fortifications, and other military installations which are either under way at present or planned for construction during FY 1953. The prompt completion of these military installations, however, is considered essential to Greece's security and to its maximum contribution to a united defense effort.

[Attachment 6]

Paper Prepared in the Mutual Security Agency

ITALY

Impact of Reduced Defense Support on Estimated Defense Expenditures

If Italy obtains $100 million instead of $110 million of defense support in 1952/53, it is estimated the level of defense expenditure will fall $20 million below that previously projected. This would occur mainly because of the effect of the cut in defense support on the budgetary position of the Italian Government.

It is assumed that not only would Italy fail to receive aid but also that dollar receipts from EPU would fall $5 million below the level projected. This drop reflects the impact on EPU positions of the reduction of defense support to other EPU members.

The effect on the balance of payments are calculated as follows:

Cut in aid	10
Reduction in dollar earnings from EPU	5
Total reduction in dollar availabilities	15
Offsets	
Amount of cut in defense support which would have remained in pipeline	3
Increased dollar exports	3
Improvement in dollar service account	1
Total offsets	7
Decrease in dollar imports	8
Reduction in non-dollar imports	3
Total reduction in imports	11

It is assumed that a lower level of EPU trade and the cutback in dollar imports would cause a reduction in EPU imports of $4 million, partly offset by a shift of $1 million from dollar to ONPC imports.

The curtailment of dollar imports will affect key items in production. It is expected however that the impact of the cutbacks would be somewhat cushioned by drawing down of stockpiles and inventories in Italy. Hence, it is estimated that the reduction of $11 million in imports will result in a reduction of GNP of only $24 million.

The reduction in tax receipts consequent to the lower GNP combined with the reduced availability of counterpart would decrease the financial resources of the Italian Government by $20 million. In view of the political and social situation in Italy and the nature of civilian expenditures a cut in non-military government expenditures cannot be anticipated. Therefore in the framework of the conservative budgetary policy followed by that Government, it is reasonable to assume a corresponding reduction in defense expenditure.

[Attachment 7]

Paper Prepared in the Mutual Security Agency

THE NETHERLANDS

Impact of Reduced Defense Support on Estimated Defense Expenditures

The initial effect of a reduction of $10 million ($80 million to $70 million) in defense support would be a decrease in dollar imports of about $7 million and an increase of dollar exports of about $2 million reducing the gap to approximately $1 million, which can probably be covered by reduced payments for services.

Total availabilities will be reduced on two counts. First, the reduction of imports will have a negative multiplier effect of about 2.9 on the GNP, reducing it by about $19 million, and second, this decrease in imports coupled with the increase in exports will reduce net goods and services from abroad by about $7 million. Total availabilities will therefore fall by about $26 million.

A reshuffling of the economy will result; imports needed for the export industry will be increased at the expense of imports for consumption, long term investment, and defense. Imports suitable for both defense and exports will be shifted to the export industry to close the balance of payments gap.

A government program to reduce consumption by 10% and investment by 25% since 1950 has been carried out successfully, leaving little room for further reductions in these categories. Decreases of $5 million and $2 million in consumption and investment respectively is probably as much as could be expected. Defense will feel the greatest impact due to the nature of the imports required for it, and will decline by about $19 million.

[Attachment 8]

Paper Prepared in the Mutual Security Agency

United Kingdom

Impact of Reduced Defense Support on Estimated Defense Expenditures

The impact of a reduction of $75 million from the $590 million projected for defense support aid to the United Kingdom for fiscal year 1952/53 must be considered in relation to the background of balance of payments crisis and the severe loss of reserves which the UK suffered in 1951/52. Any reduction in defense support to the UK leaves the UK with no alternative but to seek adjustments adequate to avoid incurring the payments gap which the withdrawal of aid would otherwise leave. The projections based on the assumption of $590 million aid already take into account the severe measures of adjustment which the United Kingdom has introduced and imply the maximum feasible reliance on the consumption of stocks to support the level of activity.

Significant offsets to the loss of $75 million are unlikely in sufficient volume to be able to avoid import cuts even if it is assumed that some military equipment can be sold in the dollar area and that reduced imports result in lower dollar service costs. Dollar imports have already been reduced to essentials and the impact of further cuts cannot help but be severe. The relationship between imports and GNP is of primary importance in the UK which imports about half its food and most of its raw materials. The net cut in imports which would be necessary with reduced aid cannot help but result in a reduced level of gross national product as compared with the full aid projection. This loss of product has been estimated at $300 million.

The reduction in gross national product and the changes in net foreign balance will effect a reduction of almost 1 percent in the total resources available for domestic use from prospective resources available on the assumption of full defense supporting aid. A substantial reduction in the investment program and in per capita personal consumption below the 1950/51 level were already implied with the full aid assumption. Nevertheless, it has been assumed here that despite the domestic economic, social, and political problems of imposing additional cuts on the civil sectors of the economy, the government would seek to protect the defense effort as much as it could and would attempt to distribute the reduction in domestic availabilities enforced by this proposed reduction in aid throughout the economy. Only about half the cut could be imposed on the civil sectors, however, and an additional reduction inevitably would fall on defense, equivalent to a defense multiplier effect from the cut in aid of approximately 2.3. The defense effort projected at $4,750 million on the assumption of $590 million in aid would thus be reduced to $4,575 million, or a reduction of $175 million.

No. 261

740.5 MSP/5-1652

Memorandum by the Director of the Office of European Regional Affairs (Martin) to the Assistant Director for Europe of the Mutual Security Agency (Cleveland)

SECRET WASHINGTON, May 16, 1952.

I have the following comments on your proposal [1] for distributing the aid cuts:

1. With respect to Greece, we do not see in the document any justification for a cut in excess of the flat percentage. All the informa-

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[1] Defined in the memorandum of May 9, *supra.*

tion at our disposal leads us to believe that such an additional cut is not justified, but before we can make a final judgment it would be useful to have the information on which your decision was based.

2. With respect to Germany, we object to a cut beyond the 12.6 level. Negotiations are now actively in progress as to the size and nature of German expenditures for defense during Fiscal Year 1953. Our best judgment is that despite the time lag in ratification of the EDC, other expenditures will be made in an amount to bring the total German expenditures up to 11.25 or above.

With respect to the German country statement we would suggest that in calling attention to the importance of counterpart, some mention be made of Berlin, for which 50 percent of the counterpart will be used. Investment programs for breaking bottle-necks are not the principal use, as suggested. This fact, plus the importance of these investment programs, make a cut difficult from the counterpart standpoint.

We are not informed as to what special circumstances in the German case permits such a large cut in pipe-line to sop up the otherwise large cut in imports. Of course if any large dollar increase accrues to Germany for such things as truck rehabilitation, an adjustment in the aid figure will be required.

3. We do not see an adequate basis for not cutting Turkey. She does not need the dollars. The counterpart is devoted to defense expenditure but does not a have a multiplier effect, as in many other countries. Therefore, we would propose that Turkey take a proportionate cut.

4. We still believe that Norway should take a proportionate cut and do not think the smallness of the program justifies adequately your figure.

5. We think your proposals for the Netherlands, Austria, Italy, Denmark, Yugoslavia and France are correct ones. The Netherlands might be a little soft but we do not think more than a few million dollars could under any circumstances be picked up there. We think that for psychological and political reasons it would be bad to go below the $100 million proposed for Italy. We assume the French figure is based on the understanding that types of expenditures made this year to provide France with dollars and other assistance such as OSP will continue to be pressed vigorously, and that special attention will be paid to the needs of Indochina under the appropriate title.

6. We agree to the UK figure but think this cut is difficult for them. Our agreement therefore is conditioned upon an understanding that every effort will be made to give the UK as much as possible of that aid in the first half of the Fiscal Year, that sincere ef-

forts will be made by all concerned to overcome the obstacles to OSP and similar types of expenditures in the UK to help with their dollar position, and that we watch the UK situation and consider it one of the most eligible countries for transfer from military to economic.

7. With respect to the briefing paper on Belgium, while 650 is a considerably better figure than 713 we do not have evidence that this is a realistic figure to present to the Congress. We are also somewhat puzzled about the rationale behind the statement that the cut in the Belgian export surplus will make it more difficult for the Belgian Government to finance additional expenditures, in the light of the fact that the real bottleneck in Belgium is local currency availabilities and the export surplus is a drain on their local budget position.

8. We should like to suggest most urgently that in order to permit the less than pro-rata cuts for Yugoslavia, Austria and Italy, the percentage cut for all other countries should be raised from 12.66 to some higher figure, rather than cutting one or two other countries deeply. The only exception to this might be Denmark.

9. If the country figures are to be made public shortly this might require another look.

No. 262

740.5/5-2852: Telegram

The Ambassador in France (Dunn) to the Department of State

SECRET NIACT PARIS, May 28, 1952—11 a.m.

7375. Personal from Perkins to Bruce. [1] We have prepared statement along lines suggested in Deptel 7015 [2] to Paris which is quoted at end of this message. Secretary thinks this is all right, but that it does not really face up to situation. He recognizes difficulty of making public statement tying ratification and appropriations together, but he does want you to know that he feels quite strongly that further cut in appropriations made by House coming just before signing of contractuals will be overcome here only with greatest difficulty. If Congress winds up with small appropriation, he believes it will seriously jeopardize ratification. This, he feels, you can use personally wherever you think it may be helpful, but he agrees it should not be in way of formal statement from him.

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[1] Perkins had accompanied Secretary Acheson to Bonn and Paris for the signing of the Convention on Relations between the Federal Republic of Germany and the United States, France, and the United Kingdom, and the signing of the treaty establishing a European Defense Community. For documentation on Secretary Acheson's trip to Bonn and Paris in May 1952, see vol. v, Part 1, pp. 675 ff.

[2] Not printed; it contained a personal message from Assistant Secretary of State for Congressional Affairs Jack K. McFall to Secretary Acheson suggesting the possibility of a telegram from Acheson to Senator Tom Connally expressing Acheson's concern regarding Congressional cuts in the Mutual Security appropriations. (740.5 MSP/5-2652)

Text of message follows:

"We have just passed a most important milestone in the building of our defenses and protection of the security of the free world with the signing of both the German contractual agreements and the European Defense Community treaty. The signing of these agreements is the foundation on which a new and stronger edifice can be built. Our allies have indicated their desire and their will to move forward courageously and forcefully to unite among themselves and to prepare with us to meet any aggression against our mutual security. The Soviet Union is endeavoring by all means at its command, including the familiar tactics of misrepresentation and threats, to block these great advances which are so vital to our safety and that of the other free nations.

"At this moment it is more than ever essential that we not waver in our support of the efforts of the European countries. If we do, it will be a severe blow to the hopes and aspirations of freedom-loving people throughout the world. This is particularly true at this time when so many far-reaching and constructive steps are being initiated in Europe. These steps will contribute largely to our collective strength. It is a time when we must continue the course on which we have embarked. We must not allow ourselves to be deflected from it." [3]

DUNN

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[3] This proposed statement was not publicly released, and there is no indication from Department of State files when, if ever, it was sent to Senator Connally.

No. 263

E files, lot 70 D 467

Current Economic Developments [1]

[Extracts [2]]

SECRET WASHINGTON, June 16, 1952.
[No. 361]

* * * * * * *

US Mutual Security Legislation for 1952

The Mutual Security Act of 1952 now on the President's desk for signature authorizes a total of $6,447,730,750 in foreign aid for appropriation under the Mutual Security Program to free nations resisting Communist aggression beginning July 1. Of the total authorization, $4,598,424,500 is to be used for military assistance and $1,805,288,500 for economic and technical assistance. Authorization is also included totaling $44,017,750 for UN technical assistance, emigration of surplus manpower from Europe, ocean freight on relief packages, and the UN International Children's Emergency Fund. The total authorization falls short $1,468,750,250 of the $7.9 billion requested by President Truman and it is possible that there will be a further cut in the appropriation legislation.

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Funds Authorized. Under the new Act, a total of $4,698,047,750 is authorized for Europe for military and defense support purposes. Military and technical assistance in the amount of $741,430,500 is authorized for the Near East and Africa, including funds for Arab and Israeli refugees. Asia and the Pacific have been authorized $886,220,000 for military, economic and technical assistance, and $78,014,750 is provided for Latin American military and technical assistance. As in previous legislation, there is an administrative provision permitting a transfer of funds up to 10% for the purpose for which they were originally intended, at the discretion of the President, between geographic areas.

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[1] *Current Economic Developments* was prepared as a classified twice-monthly publication by the Bureau of Economic Affairs (subsequently the Bureau of Economic and Business Affairs) of the Department of State for internal use as a background and policy guidance report for policy level officers of the United States Government serving at home and abroad. It was instituted in 1945 and terminated in October 1974.

[2] The sections not printed deal with administrative provisions of the Mutual Security legislation for 1952, Brazilian loan projects, Israeli Government announcement of financial matters, a report on the recent International Cotton Advisory Committee meeting at Rome, and extension of U.S.-Mexican Migrant Labor Agreements.

All funds were cut below the amounts requested by the President. The 29.5% reduction in the sum for the defense support of our North Atlantic Treaty allies and other European countries together with the decreased authorization for the furnishing of military end items to European countries (from $4,145,000,000 to $3,415,614,750 or 17.6%) will result in a substantial decrease in their ability to carry through the planned defense build-up. A large reduction (20.9%)[3] was also made in the authorization for technical assistance for South Asia, including Burma and Indonesia, which will materially handicap the projected programs in those areas. The Executive Branch favored inclusion of an amendment in the legislation that would provide for continued MSA administration in Burma and Indonesia despite US non-participation in any mutual defense programs in those countries. MSA has been administering in those areas the economic programs originated under the previous Economic Cooperation Administration. Under the new legislation it will be necessary to shift the economic and technical assistance programs in those areas to the administration of the Technical Cooperation Administration.

The bill includes an authorization of $9,240,500 for contribution to the Provisional Intergovernmental Committee for the Movement of Migrants from Europe with the stipulation that none of the funds made available for the movement of migrants shall be allocated to any international organization having in its membership any Communist or Communist-dominated or controlled country.

A total of $16,481,000 was authorized for the UN International Children's Emergency Fund. It was specified that in no case should US contributions exceed one-third of the contributions from all governments including government contributions for the benefit of persons located within territories under their control. In addition, none of the funds may be used in duplication of the activities of other UN agencies.

The bill also provides for a US contribution for multilateral technical assistance programs, authorizing $15,708,750 for the UN and its Specialized Agencies and for the Organization of American States.

Counterpart. A provision was modified which would have seriously hampered the flexibility of use of counterpart funds. The proposed provision, which the Executive Branch strongly opposed, would, except as otherwise provided, limit use of counterpart funds only for projects of military assistance or defense support. The conferees recognized the desirability of the use of more counterpart funds in the defense effort, but felt that this provision might prevent the use of counterpart under other acts, and for such purposes as US procurement of strategic materials. Furthermore, the conferees felt there was the possibility that under this provision counterpart could not be used in Germany, Austria and Trieste to carry out programs essential to the security of the US but not strictly within the limitation of this provision. The modification limits the programs for which new funds authorized in the 1952 Act would be available except as other uses of counterpart are specifically authorized by law.

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[3] The parenthetical figure of 20.9% is crossed out in the source text at this point, and a handwritten notation in the margin reads: "should be 32.6. TCA says Conf report is wrong."

The new legislation increases the availability of counterpart for the procurement of strategic materials to 10% from the previous 5%. The Executive Branch opposed it as it will require renegotiation of bilateral agreements with countries receiving economic assistance, will reduce pro tanto funds available for the military budgets of recipient countries, and may reduce the dollar earning potential of those countries in respect to materials sold to the US.

On the positive side, the new legislation provides for setting aside counterpart funds for programs furthering free private enterprise objectives (Benton Amendment). Dollar aid in the amount of $100,000,000 is to be furnished under agreements which will assure that the counterpart derived therefrom shall be used for this purpose. [4] The counterpart funds are to be used to establish revolving funds which shall be available for making loans and carrying out such programs. In this connection, funds not to exceed $2,500,000 may be transferred to the Organization for European Economic Cooperation for the encouragement of free enterprise objectives. In addition, limited amounts of counterpart funds acquired in connection with the foreign-aid program may be used for the educational exchange funds authorized by the Fulbright Act.

Shipping. The new legislation clarifies the shipping provisions of the Mutual Defense Assistance Act so that the 50% requirement no longer applies to material purchased by foreign countries from the US on a reimbursable basis. The 50% requirement still applies to other cargo shipped from the US under Mutual Defense Assistance Act.

Ocean Freight Subsidies. The authority of the US to pay freight charges on shipments of relief supplies overseas is not in the 1952

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[4] This provision was inserted in the Mutual Security legislation by an amendment offered by Representative Blair Moody (D.-Mich.). (Memorandum by Gordon E. Reckford, June 2, 1952; MSA files, lot W-3127, "Congressional Testimony")

Act. Similar authority is granted in the case of shipments by voluntary non-profit relief agencies (registered and approved by the Advisory Committee on Foreign Aid) to any country eligible for economic or technical assistance under Mutual Security Act. The Department will assume the responsibility for administering this program for fiscal year 1953.

Other provisions. The provision spelling out the responsibilities of the Director for Mutual Security for small business was transferred from the Economic Cooperation Act to the new Mutual Security Act so as to assure the continuation of operations under that section. The new measure also provides that small business will share equitably in TCA programs.

The Act carries a limitation on personnel in Government agencies administering the Mutual Security Program which will require a reduction in the Washington staffs and will present difficulties in carrying out the program.

Another difficulty is presented by the bill's prohibition of use of any appropriated or counterpart funds for expenses of disseminating within the US "general propaganda" in support of the Mutual Security Program or the payment of travel or other expenses outside the US of any citizen of the US for the purpose of publicizing the Mutual Security Program within the US. However, at same time the conferees recognized there should not be any interference with the supplying of full information to the Congress to the public concerning the operations of the Mutual Security Program.

Continuation of the informational media guaranty program also authorized in the new legislation, and continuation of the investment guaranty program beyond June 30, 1952 is otherwise provided for in the Act.

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No. 264

740.5 MSP/7-1152

Memorandum by the Deputy Director of the Office of European Regional Affairs (Knight) to the Special Assistant to the Secretary of State for Mutual Security Affairs (Martin)

SECRET WASHINGTON, July 11, 1952.

Subject: Defense Support Aid to WE Countries for FY 1953.

(1) I understand that MSA is recommending the following tentative figures for defense support aid to WE countries for FY 1953:

Austria— $60 million
Italy— $80 million
France— $330 million
The Netherlands— $33 million
Belgium— none

I understand also that MSA is not planning any amount of economic aid for Spain out of the 1953 appropriation, on the tentative assumption that the $25 million available for Spain will probably be used for military assistance.

(2) The MSA recommendations and assumptions for France, Belgium, the Netherlands and Spain seem to be reasonable. The French situation is obviously specially important and delicate for numerous reasons, but it has received and is continuing to receive so much detailed attention that it need not be discussed in this paper.

(3) There are attached two separate memoranda with specific recommendations to increase the tentative figures proposed for Austria and Italy. Although I realize that increases over the MSA proposals may make it necessary to transfer funds from military to defense support aid, I believe that in the case of these two countries they are imperative because of what I consider to be two very delicate situations.

A. Austria

I don't think we can ever afford to forget that in dealing with countries with existing characteristics based on centuries of history and of traditions it is quite unrealistic to assume that over night these countries will acquire all the virtues which we would like to transfuse into their bodies politic (virtues which we do not always have ourselves in excessive quantities). Therefore, while in theory I am perfectly willing to admit that Austria should be able to get along on $60 million, I am convinced that the Austrians will not in practice be able to bring their house into sufficient order to permit them to get through Fiscal 1953 on this modest amount of aid without serious economic and resulting political repercussions. In this regard I understand that MSA's assumption in proposing originally $86 million in 1953 was that Austria would achieve the entire reform program then under consideration. The Department did not agree with the assumption at that time and has now even less reason to believe that the Austrians will make all the progress on which the $86 million estimate was predicated.

For some time we have been considering in WE the problem of estimating at what reduced figure of aid there might be a sharp increase in the temptation for the Austrians to turn to trade with the Soviet bloc (we should remember that about 1/3 of Austria's foreign trade before the war was with countries now behind the iron curtain, and that this figure has now been reduced to approximately 11 percent). As a matter of general interest, I might mention that this theoretical question was put to Ben Thibodeaux since his return and without any consultation with us he said that a figure of $60 million would be so low as to perhaps make trade with the east more attractive than U.S. aid tied to east-west controls.

Finally, it may be appropriate to remember that, like Berlin, Austria is a showcase of the west. The Austrians, ever since the war, have been in a dangerously exposed strategic and political situation, and it would seem most injudicious to take the risk which would be involved in reducing the Austrian aid figure to $60 million. I strongly urge that we exert every effort to increase this figure to our original proposal of $86 million.

B. Italy.

We are convinced that a reduction of defense support assistance to Italy to $80 million would result in a decrease in the over all Italian war effort regardless of what undertakings they might be led to assume in the course of the Annual Review of NATO. [1] Once again we would like, and all of us are seeking in whatever ways are open to us, to influence the Italian Government toward a liberalization of Mr. Pella's financial policies. Not only have our efforts to date been unsuccessful, but we are entering into active electoral period. National elections are less than a year off, and in this period it would be futile to press for any liberalization of the present financial policies which might raise the specter of inflation in order to achieve greater defense expenditures. Furthermore, in such a period the real risk we have to avoid is that the Italian Government might cut military expenditures in favor of social and therefore of politically more attractive programs. I hardly need to stress that the elections will imprint on Italy her political complexion for the following five years. Moreover, while of course the U.S.

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[1] For documentation on the NATO Annual Reviews for 1952 and 1953, see vol. v, Part 1, pp. 292 ff.

can not allow itself to be over-influenced by such considerations, it can not be denied that the Italian, be he a cabinet officer or a man in the street, is ever tempted to make comparisons with France, which with a smaller population has more abundant natural resources and a national income almost twice as large. As you know, the proposed figure for France is $330 million.

As a matter of fact, I am coming to the conclusion that a serious reconsideration of the Italian military objectives may be the principal thing which we should attempt at this time. While I can not prove it, experience over the past two years gives me the impression that there is no comparable and logical relationship between the French and Italian Forces and military aid programs, even after taking into full consideration France's Indochina commitments. If on top of this we further reduce Italy's defense support allocation (and we must remember also that Italy, to a larger over all extent than any other WE country, depends on imports for her raw materials) it seems that in effect we may be writing off Italy as a military asset to the collective defense. Perhaps this might be the wise thing to do on the basis of European and global strategic considerations, but I am not aware that this is either our present policy or interest.

Perhaps this is not the appropriate occasion to raise this point but unless we are to wake up in a year or two with nothing but the aftermath of an Italian Armed Forces illusion, we should get together with the Pentagon and do some serious thinking in connection with the Italian force program as it now appears in MRC 12. [2]

In the meantime we think it essential for political reasons that the Department exert every effort to increase the aid figures to $140 million.

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[2] Not further identified in Department of State or Mutual Security Agency files.

[Attachment 1]

Paper Prepared by Peter Rutter of the Office of Western European Affairs

CONFIDENTIAL WASHINGTON, July 10, 1952.

WE COMMENTS ON PROPOSED MSA AID ALLOCATION TO AUSTRIA IN FISCAL YEAR 1953

RECOMMENDATION

It is suggested that the Department recommend an amount of aid for Austria for fiscal 1953 of $86 million.

DISCUSSION

The tentative allocation of aid to Austria proposed by MSA for fiscal 1953 is $60 million as compared with $86 million proposed to Congress, $120 million received in 1952 and $190 million in 1951. While considered nominally as defense support funds under the terms of MSA legislation, this money in reality is only for economic aid since Austria is forbidden any military organization or ties with NATO, and has very limited possibilities of increasing its earnings through O.S.P. It is believed Austria at this level of aid will experience severe economic difficulties which may threaten the existence of the coalition or even the country's political stability.

The unique Austrian position merits special consideration. Few, if any, chances exist for the quick conclusion of a treaty which would end the burdensome occupation. So long as this situation continues, the Soviets will keep in effect the series of controls which prevent the best utilization of Austrian resources, and the system of spoliation, which costs Austria $50 million or more a year. Moreover, they retain the power to intervene overtly or covertly in operations designed to weaken the authority of the Austrian Government and to foment disorder. In the fall of 1950 they did support the Austrian Communists' efforts to capitalize upon public dissatisfaction with a wage-price settlement and they threatened to do the same in the summer of 1951. It is believed that they await only a marked deterioration in economic stability to intervene more actively. Thus, although the coalition Government, which is democratic and friendly to the West, has shown unusual stability and will to resist Soviet pressures since 1945, it is doubtful if it can deal with an economic crisis, which would necessarily entail large-scale unemployment and a decline in the standard of living. Hence the maintenance of economic stability is essential.

The MSA Mission in Vienna has estimated Austria's balance of payment deficit for fiscal 1952 at $153 million and on the basis of tentative and highly optimistic projections for fiscal 1953 at $92 million. These projections include assumptions that: (1) Austria will have halted its inflation, which has increasingly impeded exports and disturbed wage-price relationships; (2) exports will remain at the 1952 level; (3) imports will drop 10 percent in value; (4) the Poles and Czechs will continue coal deliveries at the 1951–52 rate; and (5) Austria's EPU deficit can be kept at the low level of the final quarter of 1952. Even if these goals are achieved, Austria on the basis of receiving $60 million in aid will have to spend $32 million from its slender foreign exchange reserves of about $55 million (these exclude gold stocks not available for trade purposes and are sufficient to finance imports for a month), reduce inventories which are already low, or further lower imports to the point where economic activity is seriously reduced. Signs of future difficulties have already appeared. Unemployment for June was 47 percent higher than for June 1951. The sales of certain finished goods industries, especially textiles, are slow. It is doubtful if the Austrian Government can balance its swollen budget. If Austria cannot use aid funds to buy grain at IWA prices, the cost of foodstuffs will increase substantially.

[Attachment 2]

Paper Prepared by Samuel B. Wolff and George A. Tesoro of the Office of Western European Affairs

CONFIDENTIAL

WE COMMENTS ON PROPOSED MSA AID ALLOCATION TO ITALY IN FISCAL YEAR 1953

RECOMMENDATION

It is suggested that the Department recommend an amount of defense support aid for Italy for FY 1953 of $140 million.

DISCUSSION

(a) The MSA projection for Italian defense expenditures in FY '53 is $1027 million. The present MSA tentative direct aid figure is $80 million. If this figure is not increased, and taking into account dollar receipts from OSP and U.S. military expenditures, Italian loss of reserves at the projected level of defense spending would be about $100 million. In fact, on the basis of $110 million in direct aid, MSA had estimated that Italy would lose $25 million in gold and dollar reserves. In arriving at this result, MSA anticipated an Italian EPU surplus of $90 million, resulting in dollar receipts of $45 million from the EPU. However, during the first six months of 1952, Italy has run a deficit with EPU, and the weight of opinion at the present time is that in FY '53 Italy will be in balance with EPU or will run a deficit. On this basis, with aid of $110 million, Italy would have a loss of reserves of $70 million. With direct aid reduced to $80 million, the loss of reserves would increase by $30 million to a total of $100 million. Although we may argue that Italian reserves are sufficient to incur such a loss without necessarily imperiling economic or financial stability, there is no likelihood that the Italian Government will agree.

The Italian reserves increased during the second half of 1951 because of a heavy EPU surplus; the Italians claimed that this surplus was of a temporary nature and that the EPU receipts could not be spent but should be kept in reserve to meet future EPU deficits. Developments during the first half of CY 1952 seem to confirm the Italian forecast, and therefore we cannot anticipate that the Italians will be willing to draw down dollar reserves to any substantial degree—except to finance EPU deficits. All our experience in dealing with the Italian Government to date leads to the conclusion that the Italian Government's concern for financial stability will cause it to reject a defense program that would lead to any substantial diminution of its gold and dollar reserves.

It may be noted also that the MSA estimate of Italy's balance of payments include other dollar receipts which appear to be very optimistic, such as OSP and utilization of pipeline. A reappraisal of such items would probably increase substantially the Italian aid requirements.

(b) On the basis of the preceding calculation, direct aid of at least $180 million would be required to prevent any loss of reserves. In the light of competing requirements for the limited aid funds available, the problem is basically one of determining the minimum figure for direct aid that will persuade the Italian Government to agree to the projected level of defense expenditures.

It is suggested that the most feasible way of achieving this objective would be to relate the total U.S. direct aid. OSP and military expenditures to be received by Italy in FY '53 to the total received in FY '52, with sufficient additional aid in FY '53 to offset the additional requirement for dollar imports that will arise from the increase of the FY '53 program over the FY '52 defense program.

In FY '52 against a defense program of $811 million, Italy received $162.5 million in direct aid. In addition, it is estimated that the net dollar balance of payments impact of U.S. military expenditures was $22.7 million. (It is not believed that the Italian treasury received any dollars from OSP in FY '52). Thus, the dollars received totaled $185.2 million.

The MSA Mission in Rome estimates (Tomus A-296, June 6 [3]) that for every three dollars worth of Italian defense expenditures, one dollars worth of dollar imports is consumed. On this basis, the increase of $216 million in Italy's defense expenditures from FY '52 to FY '53 would require an additional $72 million. Thus, the total aid Italy would require in FY '53 to be on a comparable basis with FY '52 would be $185.2 (FY '52 aid) plus $72 million, or a total of $257.2 million. It is optimistically estimated by Defense that the net dollar balance of payments impact of OSP and U.S. military expenditures in Italy will be $116 million in FY '53 (OSP—$84.3 military expenditures—$31.7). On this basis, the requirements for direct aid would be $141.2 million. With this much aid, Italy's projected loss of reserves would be reduced to $40 million.

It should be stressed, incidentally, that this computation does not take into account possible changes in the other items of the balance of payments. In fact, however, the Italian balance of trade in the last several months has shown a substantial deterioration, not only with the EPU area but also with the dollar area. Unless this trend changes, therefore, the increased dollar deficit on this account will increase the aid requirements estimated above.

(c) Besides being concerned with the effects of defense spending on the dollar balance of payments, the Italian Government is also seriously concerned with its internal budgetary effects, i.e., the danger to financial stability arising from large budget deficits financed by government borrowing. The Italian budget for FY '53 is in deficit to the extent of 498 billion lire, after allowing for the counterpart (120 billion lire) of the $200 million in direct aid contemplated by the Italians. Taking into consideration the new 10% provision for counterpart, if only $80 million in direct aid is given, only 45 billion lire would be available in counterpart funds, thus increasing the budget deficit by some 75 billion lire. If, however, direct aid is increased to $140 million, as recommended, some 79 billion lire would be available in counterpart funds, and the budget deficit would only be increased by some 41 billion lire.

(d) It must also be kept in mind that a most crucial parliamentary election is scheduled for the spring of 1953. Too sharp a reduction in direct U.S. aid to Italy will be interpreted in many quarters as evidence of U.S. loss of confidence in the present Italian Government. Moreover, the U.S. insistence for a larger defense effort, without an adequate defense support aid, could be successful only at the expense of (1) the financial policies followed by Mr. Pella, and (2) the modest domestic economic and social program (which would be suicidal for the democratic parties facing election). Since the major opponents of the present democratic government are the Communists on the left and the neo-Fascists on the right, it is obviously very much in the U.S. interest for the present government to remain in power. This is particularly true because the present Government has been a staunch supporter of the key aspects of U.S. foreign policy towards Western Europe, i.e., NATO, European integration, etc. Thus, there is a strong political argument for a larger aid figure than the MSA proposed $80 million, which would represent a very drastic cut over the aid granted in past years, i.e., 1951—$230 million, 1952—$162.5 million.

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[3] Not found in Department of State or Mutual Security Agency files.

No. 265

A/MS files, lot 54 D 291, "Director for Mutual Security"

Paper Prepared in the Office of the Director for Mutual Security [1]

[DMS EXEC 30] [WASHINGTON,] July 29, 1952.

TERMS OF REFERENCE FOR THE U.S. SPECIAL REPRESENTATIVE IN EUROPE AND U.S. PERMANENT REPRESENTATIVE TO THE NORTH ATLANTIC COUNCIL

The Secretaries of State, Treasury and Defense and the Director for Mutual Security, with the approval of the President, have agreed that United States participation in the North Atlantic Treaty Organization and the coordination and supervision of the Mutual Security Program in Europe are so interrelated that they can best be carried out by designating one official responsible for both functions in Europe (including Turkey). This official (SRE) will be the U.S. Special Representative in Europe and the Permanent Representative to the North Atlantic Council and will have the rank of ambassador.

The SRE represents and speaks for the U.S. Government as a whole and acts basically for the President as the senior U.S. civilian representative on matters relating to the responsibilities and functions set forth below.

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[1] A covering memorandum signed by William J. Sheppard, Executive Assistant to the Director for Mutual Security, states that "The attached terms of reference have been signed and approved by the President and are circulated for the information and guidance of the agencies and missions concerned". The DMS EXEC series was designed to circulate information concerning administrative changes affecting the Mutual Security Program. An incomplete file is in A/MS files, lot 54 D 291, "Director for Mutual Security".

Responsibilities and Authorities

The SRE will:

1. Serve as the Permanent Representative on the North Atlantic Council and as representative or observer on other European regional organizations and activities as may be assigned by appropriate U.S. agencies and assure coordination among the U.S. elements in Europe participating in or concerned with the functioning of such organizations and activities.

2. Coordinate and supervise the Mutual Security Program activities in Europe and assure that U.S. economic and military assistance programs in Europe are effectively related, are designed to achieve the objectives of the Mutual Security Act, and are consistent with and in furtherance of established policies of the U.S.

To accomplish these, the SRE will:

3. Act for the appropriate departments and agencies in carrying out their respective responsibilities for NATO matters.

4. Act for the appropriate departments and agencies in following bilateral negotiations in Europe on matters within the purview of paragraphs 1 and 2 so as to insure consistency between the various bilateral negotiations and with overall programs.

5. Act for the Secretary of State in dealing multilaterally with European regional organizations and activities as they relate to United States foreign policy, and with the foreign policy aspects of United States assistance to the European countries to assure that the Mutual Security Program is carried out in accordance with and in furtherance of the objectives of U.S. foreign policy.

6. Act for the Director for Mutual Security in providing continuous supervision and general direction of the Mutual Security Program in Europe in accordance with the responsibilities of the Director for Mutual Security under Section 501 of the Mutual Security Act of 1951. [2]

7. Act for the Director and Deputy Director for Mutual Security with respect to economic, production, and financial aspects of the Mutual Security Program which are of interest to MSA and in providing representation to or liaison with appropriate European economic and regional groups. In accordance with delegations from the Director and Deputy Director for Mutual Security, he will supervise the MSA missions in Europe to the end of assuring their effective operation.

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[2] For documentation on the Mutual Security Act of 1951, see *Foreign Relations*, 1951, vol. I, pp. 264 ff.

8. Act for the Secretary of Defense in Europe with respect to his Mutual Security Program activities. Within this general responsibility he will insure that the programs of military assistance are effectively related to the U.S. objectives in NATO and are coordinated with other elements of the Mutual Security Program.

There will be full coordination between the SRE and the U.S. Military Representative in Europe (U.S. MilRep). The SRE may secure advice from U.S. MilRep and other military officers designated by the Secretary of Defense or the Joint Chiefs of Staff on problems falling within the SRE's area of responsibility.

The SRE will supervise those U.S. regional activities concerned with the multilateral aspects of defense production in Europe which are of interest to the Secretary of Defense.

9. Act for the Secretary of the Treasury with respect to his responsibilities for broad economic and financial policy questions arising in or related to European regional organizations and activities.

10. Carry out such additional responsibilities as may be assigned by the President or, when consistent with the general purposes of these terms of reference, by the appropriate U.S. agencies.

Instructions to the SRE

The SRE will receive appropriately coordinated instructions from the Departments of State, Treasury and Defense, the Office of the Director for Mutual Security and the Mutual Security Agency. Other interested agencies will participate in the formulation of such instructions as appropriate.

Reporting Channels to Washington Agencies

The SRE, in carrying out his responsibility and authority, will report to the responsible department or agency head, and, where appropriate, to the President.

Communications with Other Governments

The SRE will communicate with other governments through their NAT Permanent Representatives, through other regional representatives, or directly at the ministerial level. He will communicate at the ministerial level through or with the approval of the Chief of Diplomatic Mission. He will obtain the approval of the Secretary of State and other interested agency heads for the inclusion of any new major policy aspects contained in such communications.

Relationship to Country Teams

At the country level, the Chief of Diplomatic Mission exercises coordination, general direction and leadership of the country team concerned with the Mutual Security Program which includes the MSA mission, the Diplomatic Mission, the MAAG, and where appropriate, the Treasury Representative. The role of the Chief of Diplomatic Mission will be exercised in accordance with the provisions of Section 507 of the Mutual Security Act of 1951 and Executive Order 10338 of April 4, 1952. The Chief of Diplomatic Mission and the SRE will keep each other fully informed and will consult with each other on all matters affecting their responsibilities with respect to NATO, other regional organizations and activities, and the Mutual Security Program, including differences of opinion among members of the country team which must be resolved at higher levels. Any reference of differences of opinion to Washington under Executive Order 10338 shall be accompanied by an indication of the views of SRE. Chiefs of Diplomatic Mission will continue to receive their instructions directly from the Secretary of State on behalf of the President.

Internal Organization

The SRE will organize his office and staff in a manner best suited to meet his responsibilities as the Representative of the President and his duties on behalf of the agencies he represents. He will be responsible for providing direction, supervision and coordination to his staff, and such staff will be responsible solely to him for the performance of their duties. The SRE is authorized to call upon the Departments and agencies he represents to provide assistance in his staff.

The SRE's staff will not be rigidly compartmented. In order to eliminate duplication between the elements of the staff, and to assure cohesion and unity of the organization as a whole, each element will draw upon the others for advice, staff assistance, and representation on national and international organizations in the area of their respective special fields.

No. 266

ECA-MSA files, lot W-745, "Budget Bureau Presentation 1953"

Memorandum by the Deputy Director for Mutual Security (Kenney) to the Director for Mutual Security (Harriman) [1]

SECRET WASHINGTON, September 22, 1952.

Subject: Revised Fiscal Year 1954 Program Requirements for Title I (Europe)

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[1] Drafted by Harlan Cleveland.

1. I refer to our memorandum of September 3, 1952, signed by George W. Lawson, Jr., which forwarded preliminary estimates of FY 1954 requirements for Title I (Europe) Defense Support. [2]

2. We have now reviewed these estimates and the rationale for assistance to Europe, and have come to certain conclusions which are set forth in two papers attached to this memorandum. Within the framework of these papers, the estimates previously furnished to your office (and summarized in Table 1) are confirmed as representing at this time our best judgment of FY 1954 requirements.

3. The first of these papers (Annex A) discusses the rationale of and administration of U.S. financial aid to the EDC countries and the U.K. in Fiscal Year 1954.

4. It does not deal with programs of special assistance for other purposes in these countries. Specifically, it does not cover: (a) continued aid in connection with the Moody Amendment; [3] (b) special assistance in furthering rapid economic development in Southern Italy; (c) special aid for Berlin; (d) technical assistance to increase productivity in Europe; and (e) loans for the development of basic materials in Europe and its overseas territories.

5. Annex A also does not discuss certain special considerations affecting the rationale for FY 1954 U.S. aid to the countries of *Southern Europe*—Turkey, Greece, Yugoslavia, and Spain—which will be the subject of a companion paper. With respect to Spain we are suggesting, pending clarification of military policy objectives and the outcome of current negotiations, that $50 million be included tentatively for economic assistance. The estimates previously included for the other countries are confirmed, as summarized in Table 1.

6. With respect to assistance for *Moody Amendment* purposes, we have not included any special fund of dollars in the estimate for FY 1954. Our present expectation is that the counterpart funds generated by the $100 million earmarked for these purposes in the FY 1953 program will suffice, together with other potential availabilities of counterpart, to cover the financing in local currency of specific activities to be undertaken this year in Europe under the Moody Amendment. Additional counterpart funds for the same purposes may also be available from (a) an estimated $15 million of counterpart to be generated from technical assistance dollar expenditures; (b) perhaps $10 million of the counterpart to be generated in Austria; and (c) depending on the technique of administering aid, from local currency availabilities in the United Kingdom.

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[2] Not found in Department of State or Mutual Security Agency files.

[3] See footnote 4, Document 263.

7. The second of the attached papers (Annex B) deals with the development of *Basic Materials*. It proposes a major undertaking to meet the problem pointed up in the Paley Report (President's Materials Policy Commission),[4] in the form of a 4-year program requiring a $1.0 billion public debt authorization for all MSP areas, about $200 million of which would be needed in FY 1954. Such a program will require new legislation and should probably be the subject of a separate Title in the MSP. Pending an Executive Branch determination on this program, $20 million is included under Title 1 to continue in FY 1954 the modest program being undertaken this year under Sec. 514 of the Mutual Security Act of 1951. If a general Basic Materials program is set in motion along the lines we have proposed, this item of $20 million should be eliminated from the estimates for FY 1954.

8. In view of the changes in rationale and administration of aid that are proposed in the two Annexes, I recommend that the proposals contained in them (amplified to the necessary extent by further discussion and drafting) be cosidered an integral part of the presentation to the Budget Bureau, and of the President's program as finally adopted for inclusion in the draft U.S. Budget.

9. In considering these proposals, I know that you will not lose sight of the fact that they refer only to the relatively short-term problem of U.S. assistance to Europe next year. We hope that the very necessary work on the FY 1954 Budget will not preclude giving attention to the more fundamental problems (in the fields of trade policy, financial stabilization, commodity purchasing, and economic development) that will face the next Administration and the new Congress.

Table 1

Breakdown of Proposed U.S. Financial Aid to Europe (other than Offshore Procurement) in FY 1954

United Kingdom		400
EDC Countries—Total		460
Defense Production	350	
Southern Italy	35	
Berlin	75	
Southern Europe—Total		224
Greece, Turkey, Yugoslavia	139	

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[4] Reference is to the President's Materials Policy Commission. William S. Paley, chairman, created Jan. 19, 1951. The Commission submitted a 5-volume report in June 1952, which was published that year by the Government Printing Office. President Truman acknowledged receipt of the report in a letter to Paley, June 23, 1952. Regarding the Materials Policy Commission, see the editorial note, vol. I, Part 2, p. 857.

Table 1—Continued

Austria	35	
Spain	50	
Technical Assistance		24.5
Basic Materials		20
		1,128.5

Table 2

FY 1954 Estimates Compared with FY 1952 (Actual) and FY 1953 (Estimated) Obligations

(In million dollars)

	FY 1952	*FY 1953*[*]	*FY 1954*
Country Aid	1,429.1	1,248.1[*]	1,034.0
Technical Assistance	14.9	18.0	24.5
Basic Materials	8.2	19.3[†]	20.0[‡]
Assistance to Spain	35.5[§]	[‖]	50.0
	1,487.7	1,285.4	1,128.5

[*] Includes carry-over of $2.7 million. [Footnote in the source text.]

[†] Includes carry-over of $0.3 million. [Footnote in the source text.]

[‡] For Title I areas only. Does not include estimated $10.0 million for Far East. [Footnote in the source text.]

[§] Represents obligations for $62.5 million fund for loan to Spain. [Footnote in the source text.]

[‖] Distribution undetermined of $125 million available for economic and military assistance. [Footnote in the source text.]

Annex "A"

Paper Prepared in the Mutual Security Agency[5]

FISCAL YEAR 1954 TITLE I DEFENSE SUPPORT PROGRAM: RATIONALE AND ADMINISTRATION OF AID TO MAJOR EUROPEAN COUNTRIES IN FISCAL YEAR 1954

1. The estimates submitted on September 3 for the FY 1954 defense support requirements of the major European countries are subject to even more than the normal qualifications and *caveats*, since they depend on a number of assumptions about a) fundamental NATO decisions that are not yet made and cannot be pinned down before the Annual Review,[6] and b) the size and character of

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[5] The drafting officer has not been identified.

[6] For documentation on the NATO Annual Reviews for 1952 and 1953, see vol. v, Part 1, pp. 292 ff.

other closely related aspects of the Mutual Security Program, notably offshore procurement. Nevertheless, these estimates appear to be as valid and accurate as any that could be made at this time, and they should be maintained for purposes of present budget planning. They do, however, raise certain issues of policy affecting the whole Mutual Security Program in Europe. These issues have been fore-shadowed to some extent in the Congressional Presentation and in our operational planning for FY 1953, but their implications have not yet been fully reflected in U.S. Government thinking and plans. The purpose of this memorandum is to attempt to clarify these issues and to point up decisions that must be made in the near future to settle them.

2. FY 1954 should be regarded by the Executive Branch, and presented to Congress, as a year of transition—partly because Europe itself is in a state of transition, after having largely adapted itself to the impact of the Korean war and the need for rearmament and reached a new plateau in defense and economic activity; and partly because a new U.S. Administration and Congress will have to review and rethink many of the major elements of American policy. FY 1954 will therefore be a period in which we will be working with European officials towards the development of longer range solutions to the basic problem of the European economy and its relationship to the U.S. Considerable time will be necessary both for formulating such solutions within the Executive Branch and for discussing them with European governments, prior to their submission to Congress in final form. It will certainly not be possible to present to Congress early in the year a complete program reflecting a "new look"; the Presentation for FY 1954, therefore, is likely to be developed primarily about the well-established goals of our policy in Europe—defense, economic growth and integration—with certain new emphasis.

3. The MSA projections for FY 1954 indicate (a) that the U.K. will still have a very substantial dollar deficit even on the basis of quite optimistic assumptions with respect to the British trade position and their receipts from U.S. military and OSP payments; (b) that the deficits of the Southern European countries and Austria will be substantially lower than those now projected for FY 1953, on the assumption that continued progress will be made in achieving internal stabilization; but (c) that the large U.S. military expenditures and OSP payments projected for the three major EDC countries should eliminate any substantial dollar deficit for those countries, and are likely, in fact, to result in a considerable increase in the reserves of Germany and Italy. To be sure, as was indicated in the September 3 submission, a number of the assumptions on which these estimates were based are quite uncertain, and

a change in expectations about the level of European defense expenditures, the amount and timing of OSP payments, the starting date and extent of "pay-as-you-go" in Germany, etc., might well alter the situation quite drastically.

4. Nevertheless, so far as can be projected at this time, the need for U.S. assistance to the defense effort of the EDC group of countries does not stem primarily from their inability to finance essential dollar imports. It is clear, however, particularly in the case of France, that the internal resources that can be mobilized for defense by these countries without external assistance will not be sufficient to sustain a defense program of the size that is necessary to carry out our political and security objectives in Europe (plus the French military effort in Indochina). It will probably be necessary, therefore, to provide from the outside some of the means of mobilizing these resources, without necessarily limiting such provision to dollars that will be *currently* used to buy commodities or services in the dollar area. This is not a wholly new problem. We are providing more assistance this year to France certainly, and to Germany and Italy probably, than is strictly required on balance-of-payments grounds, with the probable result that their reserves will increase. Some basis was established also in the Congressional Presentation last spring for the need to supplement European resources in a broader sense than merely helping to cover a dollar deficit. But the justification was still built primarily on a balance-of-payments foundation, and this "pitch" will presumably have to be changed quite explicitly, with all the risks that such a change entails, in presenting an aid program for the EDC countries for FY 1954.

5. The clearest and most effective way of expressing and justifying U.S. defense support for this group of countries (and probably for the U.K. as well) in FY 1954 is in terms of expanding their production for defense. There seems to be general agreement within the U.S. Government and among our NATO partners that it is most desirable, if not essential, to develop a substantially expanded program of defense production in Europe, for the purpose not only of helping to provide equipment for the current European force build-up, but also of providing an adequate industrial base for their mobilization and maintainance over the longer term.

6. As yet is is not possible to estimate definitely the size or composition of the European defense production program that needs to be undertaken to meet these purposes, although the repeated crisis over the French matériel program, the NATO aircraft study, and other fragmentary surveys have provided some indications. It should be one of the major tasks of the Annual Review to define general production targets and priorities in Europe, properly asso-

ciated with the force goals and maintenance requirements which are developed over the next three months.

7. Pending completion of the necessary studies and decisions MSA has assumed, for purposes of the September 3 submission, that about $1150 million of externally financed contracts will be required for an adequate defense production program in the EDC countries. Of this amount it is assumed that about $800 million for these countries (out of $1 billion assumed for all Title I countries) will be included as projected OSP in the Defense Department's submission for the military aid budget. The remainder, $350 million, is shown in the MSA estimates as an EDC defense production fund. Although it is not and should not be earmarked for France this $350 million corresponds conceptually to the amounts of budgetary support (defense support plus "Lisbon OSP" [7]) provided to France in FYs 1952 and 1953—$500 million and (probably) $500–650 million, respectively; in principle, this would permit expenditures for purposes now included in the French defense budget to be continued at about the same level as is projected for FY 1953. Both the assumed $800 million and the $350 million shown in the MSA submission represent obligations, not necessarily payments. (On the assumption that the dollar needs of these countries will be adequately covered by normal receipts plus U.S. military expenditures plus payments on OSP obligations of prior years—as is forecast in the MSA projections—there would presumably be no need, in most cases, to accelerate dollar payments beyond the schedule corresponding to deliveries or local currency expenditures. This procedure would help to obviate any sharp, temporary increase in the reserves of the countries concerned.)

8. The development of the FY 1954 program for the EDC countries on this basis actually involves less of a change than may appear. Under the present program the bulk of the external financial contribution provided through the U.S. aid to the European countries' defense effort serves in practice to provide them with additional military matériel. This is true (a) because the procurement of equipment has tended to be the marginal item in each country's defense budget (to an extent which in France has raised serious political problems) and (b) because procurement of matériel is politically a more attractive object of U.S. expenditure from the standpoint of both the U.S. and the European countries concerned.

9. Such U.S. assistance to increase the amount of military matériel in the hands of our European associates takes two general forms:

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[7] For documentation regarding discussions of the offshore procurement program at Lisbon in February 1952, see vol. v, Part 1, pp. 107 ff.

(a) delivery to Europe of military end-items produced in the U.S., and

(b) assistance to the European countries by buying for them, or enabling them to buy for themselves, military end-items produced in Europe.

The dividing line between these two types of help has been confused by the fact that a part of category (b) called "offshore procurement" has been presented and to some extent administered as if it were part of the U.S. end-item program, while the other part called "defense support" has been presented as designed essentially to cover a dollar deficit. In actual fact, however, the OSP program in Europe has increasingly been divorced from considerations and procedures that apply to the delivery of end-items from the U.S. Most of the OSP money has been earmarked either to provide support to the military equipment budgets of certain European countries to enable them to meet their NATO commitments (e.g., the "Lisbon type" procurement in France), or to finance contracts negotiated with and through European governments supplementing their budgeted procurement (e.g., the purchase of Centurion tanks in the U.K., the whole aircraft program, and the "Pleven" procurement in France). Either way such OSP serves both to increase the production of military matériel in Europe and to supplement the financial resources (both dollars and local currency) available for European defense efforts; and either way its effect is now substantially the same as that of defense support.

10. The development and presentation of the FY 1954 defense support program in the terms outlined in paragraphs 5–7 above should help to make possible more rational analysis and programming for defense production in Europe. However, this is only one part, and the smallest part, of the total picture, and it is important that the others—the European governments' own defense investment and procurement programs and the supplementary production financed by the U.S. through OSP—be tied into a coordinated whole. The conception of OSP as an insecure appendage to the program of end-item deliveries from the U.S., which persists in budget planning and presentation despite its substantial abandonment in practice, is a major obstacle to such comprehensive planning. Ideally, there should be a single European Defense Production Fund, including both elements of the U.S. financial contribution for this purpose.

11. Adoption of the general rationale outlined above would have several important implications:

(a) It suggests a substantial change in the conception, though not necessarily in the actual effect, of the present OSP program. Such a change would clearly require major policy and administrative decisions on the part of the U.S. Government.

(b) It would largely eliminate, for the countries in question, the device of economic aid administered along the lines developed during the Marshall Plan. This device has become less and less effective as a means of exerting leverage on European policy decisions, and its popularity has dwindled in Congress and to a lesser extent with European opinion as well.

(c) The U.S. Government would cease to control in detail the *dollars* programmed for these countries; programming attention would be focussed on the expenditure of *local currency*, which has become in fact the more important aspect of the two.

(d) The need for U.S. financing would be presented in its proper perspective as a defense production requirement. To be effective, however, such a presentation would have to be based on much firmer information and plans than are available at present. It would seem to be necessary to define, with necessary supporting data, the kind of "equipment balance sheet" that was talked about before the FY 1953 Presentation, but could not be developed for lack of the necessary specific information about the prospects for either U.S. end-item deliveries or European production. Specifically, such a "balance sheet" would be derived from:

(i) the force plan as it comes out of the NATO Annual Review;

(ii) the amount and timing of equipment deliveries needed for this force plan, and the continuing requirements for maintenance and replacement;

(iii) the amounts of equipment already on hand and on order in both Europe and the U.S. against these requirements;

(iv) the equipment projected to be procured by countries out of their own defense budgets, taking account of capabilities and the cost of other elements of their defense programs;

(v) the additional amounts of equipment which can and should be produced in Europe but need to be financed by the U.S.; and

(vi) the residual requirements to be met from additional appropriations under the U.S. end-item program.

12. The funds made available to finance such a production program might be expended under any of the several techniques that are now authorized in the MSP legislation:

(a) Procurement by the U.S. Government, contracting directly with private manufacturers in Europe.

(b) Contracts between the U.S. Government and a European government, whereby the U.S. finances the production of equipment to which the U.S. then takes title, preparatory to giving it to the NATO government (e.g., the Centurion tank).

(c) Agreement between the U.S. and a NATO government to provide dollars equivalent to the local currency cost of items which are to be procured through that country's own military establishment and are included in its budget. (This is substantially the "Lisbon type" OSP in France.)

(d) Agreement between the U.S. and the EDC to transfer local currencies purchased by the U.S. Government to help finance procurement by an EDC Central Procurement Agency.

The essential thing is that the procurement so financed be closely related to and essential for a rational *European* defense production program; and secondarily that the resulting dollar payments be distributed and timed so as to be of maximum value in meeting the dollar needs of the several countries concerned.

13. The discussion above has been concerned largely with the EDC group of countries because they (especially France) present the clearest case of the need to supplement local resources, apart from immediate dollar balance-of-payments considerations, to bring about a defense program adequate for NATO security requirements. In the case of the U.K., the factor that limits the defense program (and limits the general growth of the British economy as well) is the chronic inability of the U.K. and its Sterling Area to earn enough dollars to pay for needed current dollar imports. Thus, a standard "balance-of-payments" justification exists, and the proposed assistance for the U.K. could be presented with a rationale very similar to that used by MSA in justifying defense support for the U.K. in FY 1953.

14. There may, however, be certain advantages in attributing the U.K. assistance as well to the defense production segment of the total U.K. defense effort. The need for a rationally conceived defense production program is as clear in the U.K. as it is on the Continent, and the considerations outlined in the previous paragraphs apply in greater or less degree to all the NATO countries. Probably, therefore, the kind of program proposed should be formulated, justified to Congress and administered on a NATO-wide basis.

15. For certain countries, of course, assistance will continue to be required, on a modest scale, for purposes that cannot and should not be distorted by considering them as part of a European defense production program. These include:

(a) Requirements for defense support and economic development in Greece, Turkey, Yugoslavia and Spain; these requirements appear to be associated with balance-of-payments difficulties and thus present no new problems of justification.

(b) Special development programs, notably support for more rapid development in Southern Italy.

(c) Support for the Berlin investment program.

(d) Economic assistance to Austria.

(e) Technical assistance to increase productivity and related purposes.

(f) Loans for the development of basic materials (and collateral services like power and transportation), especially in the overseas territories.

All these requirements are separately shown in the MSA program submission for FY 1954.

16. In conclusion, one point that is implicit in what is said above should be explicitly emphasized: Any substantial financial help to the European countries must be programmed and administered in the context of the U.S. concern with, and views about, these countries' entire economy. However, the primary purposes of such aid are formulated and justified—whether in terms of defense production, or other defense expenditures, or balance-of-payments deficit, or a development program, or a combination of several of these elements—the U.S. Government *must* take account of economic considerations broader than these purposes alone; we must be concerned to some extent with the country's entire economy, with all the resources at its command and the ways in which they are used. Whatever the specific purposes to which U.S. aid is attributed, it should be regarded as a marginal contribution to these total resources, the justification for which depends in the last analysis on a U.S. Government judgment that the recipient country does not have sufficient total resources to accomplish ends that are agreed to be important from the standpoint of U.S. interests. Moreover, the U.S. is concerned to establish, as soon and as far as possible, conditions under which the aid-receiving country will be able to get along, and to accomplish the agreed objectives, without extraordinary assistance or with much smaller amounts. Unless the U.S. Government is in a position to assure itself that not only the marginal amount financed by the U.S. but the country's own resources as well are used with reasonable effectiveness, both the justification for aid and the prospect of its becoming unnecessary are undermined.

17. Hence, although the emphasis in this memorandum has been placed on the need to develop and carry out an effective defense production program in Europe—which in itself, of course, would have wide repercussions on, and require attention to, the entire economy—it is important that the broader and longer range economic interests of the U.S. be given adequate consideration in the conception and administration of the Mutual Security Program for the coming year. This is all the more essential in light of the point made earlier, that FY 1954 should be a year of transition—as clearly oriented and consistently directed as possible—toward a more normal continuing relationship with our European associates.

Annex "B"

Paper Prepared in the Mutual Security Agency [8]

WASHINGTON, September 16, 1952.

PROPOSED MATERIALS DEVELOPMENT PROGRAM FOR FISCAL YEAR 1954

All the experience of the United States to date and specifically the experience of the ECA/MSA leads to the conclusion that the discovery of new sources and the expanded production of raw materials are essential to permit the normal expansion of industrial production in the United States and the rest of the free world. Studies of this problem by the Executive Branch of the Government, which have culminated in the recent report of the President's Materials Policy Commission, clearly indicate that such increased production is necessary not only as an emergency measure but also to meet our increasing requirements in the medium and long term. These studies further indicate that the best possibility for securing needed increase in production lies in the development of the underdeveloped areas of the world. We are already carrying out programs for the expansion of materials production in these areas under the authority of Section 514 of the MS Act of 1951, as amended, as a part of a general program for the development of these areas.

At the same time, general surveys (such as those by Messrs. Gray, Rockefeller and Draper) of the dollar-gap and other economic problems of the countries now receiving aid from the United States as part of our Mutual Security Program have made it increasingly clear that the long-range solution of those problems lies in increased trade and investment rather than in indefinite prolongation of grant-aid programs. The furnishing of funds by the United States Government to help finance the development of underdeveloped areas to promote increased production of basic materials can be one effective instrument in the new approach to this problem. Such investment will make available to the underdeveloped areas dollars that may in turn be earned by the Western European countries and Japan, and thus help the latter to finance part of their necessary dollar imports; at the same time these investments will help to create the means for their repayment in materials needed by the United States in future years and for future dollar and other foreign exchange earnings from the sale of additional materials.

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[8] The drafting officer has not been identified.

It is clear, however, that the development of materials in underdeveloped areas depends, in the first instance, upon mapping, exploration and the development of basic power and transportation facilities. In many countries it will also require health measures and the expansion of agricultural production, and it should be accompanied by a balanced expansion of other types of economic activity, including the establishment of adequate facilities for training local workers and professional and administrative personnel. Thus, a basic materials program must be regarded and administered as a part of a program for general economic development.

Moreover, it is the declared policy of the United States to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions. A well-conceived plan for financing basic materials development can and must contribute to this objective.

An adequate program for basic materials development should be conceived of as a continuing activity. The objective should be to help stimulate a normal flow of investment from areas where capital accumulates to underdeveloped areas which need to use additional capital. To achieve this objective, relatively larger amounts of government investment and of economic and technical assistance will be called for in the early years of such a program than are available now. Such financing would be an addition to the maximum anticipated investment available from private sources, the foreign Governments, and the IBRD. It is clear also that an adequate basic materials program requires a broader legislative authority than exists at the present. Such a program will require the provision of funds available for commitment over a four-year period, in the neighborhood of $1 billion, for use on a loan basis. The effective use of these loan funds would be dependent upon the continuation and strengthening of current technical assistance and economic grant aid programs now being carried on in underdeveloped areas under the Mutual Security Program.

Specifically we propose that Congress should be requested to authorize a program made up of the following components:

(1) That the Director for Mutual Security be authorized by Congress to utilize $1 billion, raised by a public debt transaction and available on loan terms as described in Section 111(c)(2) of the ECA Act of 1948, these funds to be available for commitment through June 30, 1957, for the making of loans to foreign Governments or to individuals or private organizations to expand basic materials production abroad, primarily in underdeveloped areas now included in the Mutual Security Program.

(2) That Section 514, which at present authorizes MSA financing of expansion of materials requirements of countries other than the United States, be expanded to include United States requirements

as well, since materials development financed by the United States in any overseas area should be regarded as an integrated program by the United States Government.

(3) That the wording of Section 519(b), permitting the use of MSA funds to cover local currency expenditures for strategic materials projects where the materials are required by the United States, be modified to make it clear that such authority applies also with respect to MSA funds used to promote production of materials required by countries receiving aid from the United States.

(4) That Section 519(b) also be modified to apply to funds made available to MSA for this materials program without specifying a limitation on the amount available to purchase local currency. (To the extent that 10% counterpart funds are available to the United States for this program, such funds would of course be used rather than dollars for this purpose.)

The aim of this proposed program would be to develop projects necessary for the expanded production of materials required by the United States and the rest of the free world and to participate in the financing necessary to carry out these projects. It would make provision for requirements in fields that are not covered by DMPA, and if DMPA is not continued beyond June 30, 1953, this program could include those foreign development functions now covered by DMPA. This program for financing materials development would be closely correlated with other U.S. aid programs and interested U.S. Government agencies, the IBRD, and private investors. To the extent that these organizations and/or private investors are willing and able to finance projects developed in the course of this program, they will be encouraged to do so. In some cases it may be desirable to work out arrangements for joint financing of particular projects. In similar manner, programs for economic and technical assistance should be utilized to buttress and prepare the way for programs for balanced development to be financed with loan funds.

The above proposal assumes that we can persuade Congress to authorize this basic materials program in addition to our foreign aid program. If at the time the proposal is due to be made it appears that there is considerable doubt on this score, it will be necessary to re-examine rather carefully the relative merits of the two programs and consider the possibility of reducing perhaps substantially the figures herein proposed.

Other reservations in regard to the proposal will be treated in a supplemental memorandum now in preparation.

No. 267

ECA-MSA files, lot W-745, "Budget Bureau Presentation 1953"

Memorandum by the Deputy Special Representative for Economic Affairs in Europe (Porter) to the United States Special Representative in Europe (Draper) [1]

SECRET [PARIS,] October 9, 1952.

Subject: Basis and Composition of U.S. Aid to Europe (Other than End-items) in Fiscal Year 1954.

1. These comments relate to a memorandum submitted by John Kenney to Averell Harriman on September 24th entitled "Revised FY 1954 Program Requirements for Title I (Europe)" and a supporting document, "Rationale and Administration of Aid to Major European Countries in FY 1954". [2] There is also a second supporting document—"Proposed Materials Development Program for FY 1954"—to which my comments do not relate since I have examined it only cursorily.

2. The views given here are tentative and strictly personal. I found strong disagreement with some of them—especially the view that there should be more offshore procurement with direct aid correspondingly reduced—in the course of a staff discussion yesterday. This opposition may later change, or I may conclude that my current thinking does not fit the facts.

3. No brief summary will do the Washington papers justice, but in connection with these comments the following aspects of the Washington proposals should be borne in mind:

a. The aid program for the forthcoming year is regarded as a transition to a new economic relationship between the U.S. and Europe which, it is hoped, can be crystallized in the coming year.

b. The MSA/W memo assumes an offshore procurement program of $1 billion, and proposes a direct financial aid program of $1,178.5 million.

c. The proposed program would probably require a major change in the justification to be given the Congress. Heretofore our aid has corresponded to a balance-of-payments deficit, kept within reasonable bounds by recipient governments. MSA/W now forecasts that the aid which they believe France will need for defense purposes next year will produce a corresponding increase in French dollar reserves. Some increase in the Italian and German reserves is also likely. The justification for American financial aid to France (and perhaps other countries), therefore, would be to help the recipient government establish a defense budget larger than it can be expected to do out of its own resources.

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[1] On Oct. 13, Merchant sent a copy of this memorandum to Edwin M. Martin along with a covering letter which reads in part: "I think its [the Porter memorandum] main lines are correct and I think Paul showed courage and independence in urging his views on Bill Draper in the face of almost universal opposition from his staff. Just a few hours before Draper took off last week Anderson, Finlay, Porter, Dorr and myself met with Bill to discuss this paper which we had received only a few minutes before the meeting. We all endorsed its general approach, though there are obviously details or points of emphasis on which each of us would raise question." (740.5 MSP/10-1352)

[2] Reference is to the Kenney memorandum of Sept. 22, *supra*.

d. I conclude, perhaps incorrectly, that the main basis for future aid, to which this year's program would be a transition, would be that of supplementing other countries' budgets for defense purposes, pending the time when our NATO partners could carry the defense load without our help.

4. My comments are:

a. I prefer the notion of a caretaker budget to a transitional one. It is difficult to prepare a transition without anticipating what it will lead to. I very much believe that the time has come for a new economic relationship with Europe, but only the next administration can establish this—in close consultation, I hope, with European governments.

b. Our justification for aid next year ought to rest on reasons now understood and accepted by the Congress and the public. A new reason this next year is likely to excite mistrust. We should bear in mind that we not only need to convince a Congressman but that he needs to convince his constituents. We should try to avoid the unfounded but damaging charge that we seek new reasons to keep on giving away money.

c. We should try to raise the amount of offshore procurement for FY 1954 to more than $1 billion. The amount of direct financial aid should be correspondingly reduced. I suggest that we examine the possibility of raising offshore procurement to a point that no direct aid would be needed in the EDC countries, the UK, Norway and Denmark (i.e. to about $1.75 billion). This may be more than is practical, but it is one possibility that should be fully examined.

d. To the extent that France will need direct financial aid it should be given for the specific purpose of supporting resistance to communist aggression in Indochina. This would still be direct budget support, but this specific case would be easier to defend than the general principle.

e. Some continuing aid to Austria, Greece, Turkey, Yugoslavia and perhaps Spain and Iceland should be given for the same reasons that we have given it in the past. My preliminary reaction is that the amount of $224 million indicated for them by MSA/W is a reasonable figure.

f. There should also be aid funds for the purposes of the Moody Amendment and Technical Assistance.

g. Aid given on the basis suggested above would seem to come within the framework already accepted by the Congress. Offshore procurement would be increased if feasible; it could probably be increased at least enough that the balance-of-payments criterion could fit all cases except France. In the French case an exception could most probably be justified because of the heavy burden of the war in Indochina, which burden accrues mainly in francs rather than in dollars. While it is desirable to increase offshore procurement and reduce direct aid, it should not be necessary to go all the way. If it develops that some direct aid is needed to maintain balance and flexibility, this should be possible if the total amount is downward from this year.

h. These comments take the Washington forecasts on faith. As time permits, however, we plan to check them against our local assessment.

5. I wish to comment further on the principle of budget support as the central purpose of U.S. aid, for although I conclude that it is impractical at this stage of NATO development and in the prevailing political climate, there is nonetheless much that is attractive in the idea. The phrase "burden-sharing" is scrupulously avoided in the Washington paper, but the MSA/W proposal seems to me to be clearly a variant of this concept—although not accepting, of course, the French or British view of how big our share of the burden should be. The idea is attractive in the way that the principle of equity always is to fair-minded people. Budget support for defense purposes, as thus proposed, would be a somewhat rudimentary expression of the concept of the progressive income tax, applied to NATO needs. Within the U.S. we accept readily the idea of federal aid to roads though not yet to schools. During the last war we hesitated scarcely a day in providing federal funds to build defense housing for shipyard workers in Mississippi and other poor states. But I very much doubt that U.S. public opinion is ready to accept the idea of contributing directly to other peoples' national budgets.

Among the dangers in this proposal are these:

a. This method of aid would be widely misunderstood and misrepresented at home. It would be argued that American taxes were being applied to a French budget in lieu of the taxes that some Frenchmen shirk paying. There would be just enough truth in this argument to make it popular.

b. If the main reason for our aid to a country is to help support its budget then it is hard to resist the conclusion that we should concern ourselves with every part of the budget. This could lead, for example, to examining the reasons for a subsidy to the French nationalized railroads. Before we had grasped what was happening we could find ourselves proposing to the French Government that freight rates be increased or that wages or pensions of French railroad workers be cut. Some Congressmen would surely ask Ty Wood why we hadn't. Not only would this generate a lot of ill-will and distrust between allies, but it would be a major, even if unconscious, step toward making partners into satellites. There is surely a law of diminishing returns in this way of getting greater defense efforts. I suspect that if we carried this process very far that what we gained in arms we would lose in the will to use them.

6. Some of my colleagues take strong exception to the proposal that there should be a significant increase in the volume of offshore procurement matched by a decrease in direct financial aid. Among the reasons they give are these:

a. The Defense Department tends to look upon offshore procurement as a marginal source of supply, and this is known to European governments. The uncertainties in offshore procurement as a dependable source of dollars make it difficult for us to use this prospect to induce Europeans to undertake the defense budgets we consider to be necessary.

b. There is less flexibility in directing offshore procurement than in directing financial aid to the countries where the need for it may be the greatest.

c. The dollar receipts from offshore procurement would not, in the case of some countries, be available in the year in which they are most needed.

d. Until our offshore procurement can be assured on a longer term than is presently possible many prospective producers will be unwilling to invest in the conversion of facilities necessary to efficient, competitive production.

e. Direct aid, applied to national budgets, gives us more "leverage" on governments than does offshore procurement. (Of the various arguments for direct aid this persuades me the least. I think that the utility of leverage has been grossly exaggerated, and that we have also underestimated its costs in friction and even ill-will. There is no lasting substitute for old-fashioned persuasion based on facts, logic and confidence.)

f. Much of the Congressional support for the aid program is partly due to the fact that the aid program has financed the purchase of U.S. agricultural and industrial products for export to Europe. A further shift to offshore procurement might not strengthen the prospects of Congressional support as is sometimes assumed but rather might seriously weaken it.

7. Most of the foregoing are arguments that are not easily dismissed. Until I have examined them further I wish to caution that the opinions I have expressed here on the composition of next year's aid are tentative.

8. While a caretaker budget seems to be the best that an outgoing administration can offer, we should nonetheless give the new administration our best judgment with respect to the most desirable economic relationship with Europe which, once it is in command of policy, it may wish to develop. [3]

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[3] An unsigned "Addendum to Memorandum of Mr. Paul Porter to Ambassador Draper, dated October 9, 1952", also Oct. 9, stated that a meeting was held in Ambassador Anderson's office at 1 p. m. that day to discuss matters raised in this memorandum. While it was generally agreed that more time would be needed to study Porter's memorandum, the group gave its general agreement to the principles and policy lines set forth and in addition concluded that "the Lisbon-type budget

Continued

No. 268

MSA telegram files, lot W-131, "Paris Torep (1)": Telegram

The Deputy Director for Mutual Security (Kenney) to the Embassy in France [1]

SECRET
PRIORITY

WASHINGTON, October 15, 1952—6:12 p. m.

Torep 1711. Eyes only for Anderson from Draper. Subject: Approach to Congress re 53 Program and Fiscal 54. After Washington talks including top Defense, DMS and MSA/W officials, am able to report following course of action and agreements in principle which I consider should lead to a fairly satisfactory resolution of subject problems:

(a) Agreement in principle was reached to split fiscal 54 OSP Program off from end item program thus eliminating necessity secondary allocation from their funds by respective armed services. OSP to be argued on merits of priority need to establish European defense base. General recognition was given to fact that a reduction in OSP below a certain minimum would put severe strain on whole NATO framework. I argued 53 OSP Program as currently conceived by Defense might be dangerously near or below this minimum. It was generally recognized that the difference of several hundred mil dollars would be crucial in the NATO area while the transfer of those funds would not solve the US production base problem. Finally, fact was recognized that the establishment of a European production base must be considered as a separate priority from that of establishing a US production base. It was clear before the meeting that a large segment of Defense Dept maintained that US would procure abroad only if the US mobilization base permitted. I believe that this thinking as a result of our meetings has been modified. It was thought that program of establishment of a European production base could be sold to Congress on above basis.

(b) After I complained proposed reduction 53 ammo program which would have severe consequences in all countries except France where we have committed 99 mil, Pace instructed Lemnitzer to review OSP ammo with view to increasing amount for ammo to 300 mil.

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supporting OSP could be justified in FY 1952 because of the emergency situation in Indo-China." However, continuation of such aid "becomes highly questionable, to say the least," and it was necessary to ensure that Congressional committees understood that it would be better to grant outright financial aid or support to European budgets than "Lisbon-type OSP". (ECA-MSA files, lot W-745, "Budget Bureau Presentation 1952")

[1] Drafted by J. Slater.

(c) Meeting was agreed in light of (a) and (b) above to review present planning for entire fiscal 53 program.

KENNEY

No. 269

DMS files, lot W-1444, "FY 1955 Program Estimates"

Memorandum by the Consultant to the Director for Mutual Security (Bissell) to the Assistant Director for Programs, Office of the Director for Mutual Security (Ohly)

WASHINGTON, October 29, 1952.

Subject: Long-run Policy on Aid to European Countries

In the course of recent discussions of the Fiscal Year 1954 Mutual Security Program for Europe, two fundamental questions have arisen which were rather sharply crystallized in the Budget Bureau Hearings on Wednesday, October 15. First, on what basis should the amount of aid to the NATO countries for FY 1954 be determined; specifically, should it be on a budgetary or balance of payments basis? Second, in what form should aid be given in that and subsequent years; should defense support and OSP be continued as well as the transfer of end items? I feel moved to set down my tentative views on these matters, which I shall do in rather theoretical form for the sake of brevity. I will begin by repeating several familiar points by way of background.

First, I assume it is now generally understood that a judgment as to the amount of aid in all forms which it is in the interest of the U.S. to furnish to any European ally in support of that ally's military efforts depends upon an estimate of military requirements and other burdens on its economy on the one hand and an appraisal of its political and economic capabilities on the other. It is impossible to form such a judgment on the basis of any narrower "technical" appraisal. In particular, it must be emphasized that a calculation of the deficiencies in equipment that would have to be made good in order to meet an ally's military requirements (after allowing for the ally's programmed expenditures and for assets already in existence or already financed from previous US aid) does not by itself constitute a rational justification for any given amount of aid, whether in the form of end items or in any other form. Such a calculation has to take as given the ally's own programs and to assume that they cannot be enlarged, and therefore fails to explain why the country cannot cover its deficiencies out of its own physical and financial resources. Yet the ally's programs, in fact, reflect a balancing of all kinds of claims on resources against the volume of resources estimated to be available. Hence, the calculation of military needs and deficiencies proves nothing about the aid required unless it is supplemented with an appraisal of competing demands for resources and of economic and political capabilities.

A second fact which I take to be generally understood is that OSP, like defense support, is a device for furnishing aid in the form of foreign exchange. The fact that in an OSP transaction military end items are purchased by the US Department of Defense for transfer to an ally should not obscure the economics of the operation. Typically, in such a transaction US dollars are used to mobilize, say French productive resources, French capital and labor, to produce in France end items destined to be used by the French military establishment. What is transferred from the U.S. to France is a sum of hard money, which may later be used to pay for wheat or tobacco or which may end up in the French gold reserve. A gift of free dollars to the French Government to finance military procurement in France would be the exact economic equivalent of such a OSP transaction. To be sure OSP is a superior method of financing French military procurement because it permits the U.S. Government to set in motion the production in France of the right items in the right places with a minimum of delay and a minimum of apparent interference in the internal affairs of the country. But it is fundamentally different from the transfer of resources in the form of U.S. produced end items.

With due apologies for repeating these familiar but occasionally forgotten propositions, I will now attempt to define the main choice that seems to me to be called for in mapping the strategy of our aid to our NATO allies for the next few years. If the size and character of the forces we wish them to raise, and the phasing of the build-up of those forces may be taken as given for the purposes of this discussion, the amount of aid required will be determined by what the Europeans can do and will be largely independent of the form in which it is given. Broadly speaking, it can be given in the form either of US produced end items to supplement European production or of foreign exchange to enable the Europeans to produce more munitions than they otherwise could. The form will significantly affect the amount if, but only if, it affects the degree to which European political and economic capabilities can be exploited, a point which will be touched on further below.

The choice of form, in turn, clearly should rest upon a judgment as to the optimum location of the production of military hardware. If the Europeans should be encouraged to build up a war production base capable of turning out more military equipment than they can pay for, and if military production ought to be maintained in Europe at such a level, even after the *build-up is completed*, then a part of the aid furnished in any future program must be in the form of foreign exchange. Alternatively, if it is not necessary to contemplate in the long run a level of military production in Europe in excess of European financial capabilities, then aid could in the future take the form of end items exclusively. There is, of course, no such clear choice for FY 1954. It will probably be conceded without argument that, in view of the weight of the burden during the period of military build-up and the recent history of foreign exchange difficulties, some aid must be provided for at least another year in the form of foreign exchange in order to enable the Europeans fully to utilize their own productive resources. Nevertheless, the fundamental decision as to the level of military production in Europe after the military build-up is completed, as outlays on the European military establishment approach a maintenance basis, should largely determine the size and character of the war production base that should be built in Europe in the next year or two years. Accordingly, it is urgent that this decision be made now, at least on a planning basis.

What considerations should guide it? Clearly, they are (a) a strategic consideration, the vulnerability of European industry on the one hand and of trans-Atlantic supply lines on the other, (b) relative cost of production, with due regard to the possibilities of encouraging the production of European types of weapons and vehicles, (c) the effect on the US mobilization base, (d) political consideration, the desire on the part of the French and others to produce as large a proportion as possible of the weapons they will have to have in the event of war, and (e) the economic effects on the European countries, including the effect on the amount of aid required, and on the general pattern of trade and production.

My purpose here is to concentrate on the last of these five items; accordingly, I shall make certain assumptions about the others or dismiss them entirely. As to strategic consideration, it is pretty clear that certain items, of which ammo is the stock example, should be produced in Europe in quantities at least sufficient for European forces and that others, unconventional weapons for instance, should be produced only in the U.S. And there are probably other items which are not at either end of the spectrum but where there is clearly a preferred source. For instance, it might be decidedly cheaper for Europeans to produce their own trucks, while aircraft may be especially suited to US production because the delivery problem is simpler than with other types of equipment. Without going further, however, it will be assumed that strategic considerations alone leave a large range of indeterminacy, that is, a long list of items with respect to which these considerations give no *clear indication*. As the Europeans themselves are financing and will continue to finance a sizeable minimum volume of military production in Europe, it will probably be true that strategic considerations alone leave undetermined the optimum location of most production financed with US aid.

As to relative costs, I understand that the evidence is not clear that US costs are lower on all items, when transportation is taken into account, and there must be still unexplored possibilities for reducing production costs over the next two or three years in Europe. Accordingly, it will be assumed that the application of this consideration, too, will leave a sizeable area of indeterminacy. Nothing will be said here about the importance of maintaining a US mobilization base. Political considerations can best be weighed in connection with the final item, the economic impact of the choice between a higher or a lower rate of military production in Europe and the concomitant choice of giving some aid in the form of OSP or giving it all in the form of end items.

In considering the economic consequences of military production in Europe, it is useful to refer to the familiar distinction between the limit on a country's economic and financial capabilities that is set by its resources of foreign exchange and that which is set by the size of the national government's budget. Theoretically, there should be no foreign exchange limit. Any expenditure that a government can find room for in its budget and finance out of either tax revenue or "noninflationary" borrowing should have no adverse impact on the country's balance of payments. The net effect of withdrawing an increment of funds from the income stream by taxation or borrowing and simultaneously permitting an equal increase in military expenditure should be to curtail the civilian demand for goods and services and expand the military demand by equal amounts and thus to engineer a shift of resources from civilian to military uses.

But in practice, of course, an increase in military expenditures is likely to have different consequences. For one thing, when a national government's budget is large to begin with, an increment of military expenditures is most unlikely to be financed entirely out of current revenue, and it is not clear that there is any such thing as non-inflationary borrowing. For another thing, even if an increment of military expenditures is wholly covered by an increment of tax revenue, civilian demand is unlikely to be reduced as much as military demand is expanded so the net impact is apt to be inflationary (because higher taxes are paid in part out of lowered savings and only in part out of lowered private spending and because military expenditures are apt to stimulate private investment). Finally, an increase in the military demand for the products of the engineering industries that is offset by a decline in the civilian demand for, say, textiles, is most likely to have an adverse effect on the balance of payments, even if it has no net inflationary effect within the country.

In the real world, therefore, it is only realistic to assume that an increment of military expenditure, even if funds for financing it are somehow found within the budget, will absorb more productive resources than are released by any corresponding curtailment of civilian demand, and that it will, therefore, both draw unemployed resources into employment and attract additional resources in the form of larger imports or at the expense of smaller exports. The resulting deterioration in the balance of payments will be larger (a) the larger the increase in combined military and civilian demand and (b) the smaller is the scope for expanding output through the reemployment of previously unemployed resources or through the more intensive use of resources already employed. Accordingly, a nation's foreign exchange position, the degree to which it can afford to place an additional strain on its balance of payments, sets a limit at some point on its economic capabilities which may well be different from that set by the government budget.

These considerations suggest that, in making the choice for planning purposes of an optimum level of military production in Europe, three possible economic situations need to be examined. First, there is what used to be considered the general case, in which the significant limit on the nation's economic capability is that set by its foreign exchange resources or, in other words, where the level of military expenditure in the country is limited by the unwillingness or inability of the government to incur the larger balance of payments deficit which would result from a larger budget. In such a situation, it is reasonable to assume that the expenditure of, say, an additional $2 million a year for military purposes within the country would worsen its balance of payments by, say, $1 million a year. Under these circumstances, $1 million a year of OSP would furnish enough foreign exchange to cover the balance of payments effect of the OSP itself and of another $1 million a year of military expenditure by the government of its own money. If the bargain could be struck, $1 million of US aid in this form would buy $2 million worth of military production in Europe.

The second case is that in which the financial limitation is set by the supply of foreign exchange and in which there is no narrow budgetary limit, but in which there is full employment of resources and direct competition between the production of military equipment and that of exports. Under these circumstances, $1 million a year of OSP which is additional to the country's own program will worsen its foreign exchange position by about the full million dollars and will not support additional spending by the government of the country. This is very close to the present condition of the UK. In such a situation, one dollar of OSP buys only that same one dollar's worth of additional production in the country.

The third case is that in which the financial limitation is budgetary in character, that is, where foreign exchange resources would permit a larger total expenditure by the government of the country than it is prepared to make. In such a situation, as in the first type, $1 million of OSP a year might be assumed to worsen the foreign exchange position by only half that amount. But since it would make possible no increase in expenditure out of the government's own funds, the other $1/2 million a year of foreign exchange would, other things being equal, find its way into the country's reserves. This is admittedly the present situation in France.

How is the choice between OSP and end item aid, that is, the choice of appropriate form of aid and level of military production in Europe, to be made in these three theoretically distinguishable situations? The first case suggests one obvious standard that might be applied in order to minimize the amount of aid that is required to achieve given results. Where the provision of one dollar's worth of foreign exchange will enable the receiving country to spend a second dollar of its own money, that is, to make more effective use for defense purposes of its own productive resources, then only half as much aid would be required in the form of OSP as in that of end items to achieve a given result. It is probably a safe rule of policy, therefore, that where OSP has a multiplied effect on total defense expenditures within a country, this form of aid is preferable.

But to what extent, realistically speaking, does this situation obtain? Admittedly it does not at the present time in any of the major European countries. In France, aid is being provided in the current year, and is proposed for next year, for the purpose of supplementing the budget in amounts expected to lead to an increase in reserves. The MSA estimates that in FY 1954 there will be increases in monetary reserves in Germany and Italy as a result of OSP and small amounts of economic aid. No direct aid to Belgium, The Netherlands, or Norway is proposed and their foreign exchange positions are expected to be satisfactory without it. All of these countries would appear currently to come under the third case. The UK seems to fall under the second. The British have themselves said that additional or off-shore procurement undertaken in Britain, unless it provided for long-delayed deliveries, would compete directly with exports.

Admittedly, however, the present relatively strong dollar position of most of the continental countries reflects the current and anticipated high level of extraordinary dollar earnings from both

US military outlays and OSP. There is a considerable likelihood that, if OSP were discontinued, Italy and France at least, among the major continental countries, and probably the UK as well, would again experience foreign exchange difficulties after the build-up was completed as payments on old OSP contracts tapered off. Nevertheless, I will venture the opinion that these difficulties will not be in fact, and will not be thought to be, the necessary consequence of domestic military expenditures, that foreign exchange difficulties, unless they became dangerously acute, will not have much effect on military expenditures, that only under unusual circumstances would the furnishing of foreign exchange through OSP clearly have a multiplied effect in minimizing the curtailment of military expenditures, and that the budgetary limit will come more and more to be the truly significant limit on European defense efforts.

In expressing these views, I am assuming that after the build-up is completed (which is the situation to which these views apply), the total outlay on European military establishments will be appreciably lower than the peak rate in FY 54 or even than the present rate, counting outlays by both the US and the European governments. I am also assuming that the US will be prepared to continue end item aid on a generous scale, say, $3 billion to $3½ billion per year. Since some further increase in expenditure is expected in Germany and since there should be little if any decrease in Italy or Belgium, there is room for considerable relief for France and the UK. Moreover, there should have been some growth in GNP in all these countries. And, finally, any required expansion of military production capacity should have been completed and the output of military equipment should have passed its peak.

The principal judgment underlying the above expressed views is that, if these assumptions are correct, the economic burden on the European countries should be well within their capacity to carry and should not be so large as inevitably to generate inflationary pressures, require an abnormally large volume of imports, or compete too seriously with exports. This judgment (if it is accepted) implies that the Europeans should be able, by something short of impossibly good management of their affairs, to prevent their military expenditures from having the kind of adverse impact on the balance of payments that is almost inevitable in a period when the absolute strain is severe and when the rate of expenditure is rising. It can fairly be said, therefore, that the foreign exchange shortage they may encounter will not be a consequence of large military outlays but merely the re-emergence of the same difficulties they experienced before mid-1950. More specifically, it must be expected that the circumstances which limit the ability of the Europeans to close the gap in their international accounts will not be the absorption of productive resources by the defense effort or the inevitably inflationary impact of rapidly growing defense expenditures but rather the difficulty of finding markets for European exports and the domestic inflationary pressures that are generated by civilian programs.

Under these circumstances the connection between defense expenditures and the balance of payments in these countries is apt to be attenuated both in fact and in opinion. To be sure, the European Governments might be tempted to deflate as a means of coping with the foreign exchange shortage, and the least painful way to deflate might seem to be to cut defense expenditures further. But direct controls over imports and, under extreme pressure, exchange rate changes are apt to be the first and second lines of defense against gold losses. Deflation will be resisted as a cure because of its possible impact on employment, even if there is sentiment for reducing military costs. And in any case, few European Governments will be able to develop deflationary budget surpluses in the face of the pressure for lowered taxes and expanded social programs. So long as budgets are at least close to balance and serious inflationary pressure is not apparent, the foreign exchange problem is apt to be regarded as (and in practice to be) unrelated to the budget and the effective limit on military expenditures is apt to be set by the competition for budgetary resources.

This does not mean that the foreign exchange problem can be ignored, and I will return to it below. The lack of connection between the foreign balance and the government budget should not be overstated. But the connection is most unlikely to be so close as to justify the assumption that a dollars worth of aid in the form of foreign exchange will induce the expenditure by the Europeans of a dollar's worth of their own funds that would not otherwise be spent.

We are dealing, then, typically with the third case, complicated by the possibility of a chronic foreign exchange problem. The choice is not between the provisioning of a smaller amount of aid in the form of OSP and that of a larger amount in the form of end items to support a given level of military expenditure. Rather it is between, on the one hand, the maintenance of a relatively high level of military production, part of which would bring in a flow of extraordinary dollar earnings, and on the other hand, a lower level of military production coupled with increasingly heavy reliance on the earning of foreign exchange in other ways. The question is whether productive resources should be used to produce military end items for sale to the U.S. Government or, alternatively, to reduce commercial imports and expand commercial exports.

When the question is put in this form, it seems very clear to me that the answer should favor the latter course of action. I am convinced that to hold out the hope that the Europeans will be able to earn a substantial part of the dollars they need indefinitely by producing military end items would divert attention and energy away from the most difficult and very nearly the most urgent task that confronts them, that of making themselves competitive in world markets, finding and developing trading partners, and thus restoring their solvency. This objective should not interfere with the military buildup itself or with the creation of a strategically adequate war production base. But insofar as the choice is between producing military hardware in Europe and producing it here, surely it would be better to minimize the productive resources that are absorbed by military production in Europe and come to grips as soon as possible with the underlying economic problems.

If a major objective of the Kremlin for the next several years will be to break down the cohesion of the non-communist world, a strong case can be made up for giving enough help so that the burden upon the Europeans does not become impossibly heavy. But to induce them to place their reliance on the artificial, unstable, and highly political export market that is created by OSP would make things easier for the Europeans in precisely the wrong way. It would not reduce the volume of resources that would have to be used to earn foreign exchange, and thereby make more available for investment and consumption. All it would do would be to open up to them the prospect of earning foreign exchange in a protected market in the Pentagon without the necessity of having to become competitive in price, design, and salesmanship.

I can readily conceive that the foreign exchange program may in a few cases turn out to be so intractable that we will be driven to resort to OSP, as we felt compelled to carry out the Marshall Plan, in order to avoid economic collapse in one or more vital countries. Certainly, we should try to leave the way open for such action if it is necessary. But the OSP already programmed for FY '53 followed by one more year of OSP on a large scale in FY '54 will assure the Europeans of a high rate of extraordinary earnings for another 2½ to 3 years. If 8 years after the beginning of the Marshall Plan the Europeans are again threatened with a foreign exchange crisis, presumably despite continued sizeable dollar outlays by the U.S. military establishment, this outcome must be accounted a major failure of U.S. policy. It seems to me neither necessary nor wise to begin now to plan for that failure. Instead, it seems to me we should make it clear to the Europeans that they must contemplate, after a further period of grace of about two years, a gradual tapering off of extraordinary dollar earnings, which will confront them with the absolute and unavoidable necessity of bringing their international accounts more nearly into balance. This is the only economic strategy that seems to me to hold promise for the long pull.

Persuasive as these economic arguments seem to me, however, it is the political ones that are decisive. I believe it essential that we move rapidly toward a state of affairs in which, although the US continues to provide aid to its allies on a generous scale and with, I would hope, greater certainty for longer periods than at present, the Europeans are compelled to accept the residual responsibility for their own economic affairs, that is, to become again the common stockholders in their own countries. It is intolerable that, for very much longer, every bad harvest, commodity price decline, or political crisis should give grounds for a request for additional U.S. aid. It was appropriate to tailor aid closely to "need" in the earlier years of the Marshall Plan. But to continue to do so indefinitely is to deprive the Europeans of control over their own fate and to foreclose any possibility of a revival of self-reliance.

If the United States is in this sense to put the final responsibility for their own affairs back on to the shoulders of its allies, it must, I believe, provide sufficient aid, determine the amount of aid in a fashion such that it is independent of day-by-day changes in political and economic "needs", and provide it in a form that minimizes the sense of European dependence on the United States and that is clearly appropriate to the purposes of the alliance. The provision of aid mainly or wholly in the form of end items would, I suggest, go far to meet these requirements. End item programs are more likely than are the plans for other kinds of aid to be based on a long-run appraisal of requirements and capabilities. Once established, it is not immediately obvious why such programs should be affected by the threatened fall of a cabinet, a decline in the price of rubber, or a dry summer in France; they are much better insulated against such day-by-day circumstances. And it seems to me that end item aid creates less of a sense of dependence and is more obviously appropriate to the purposes of the alliance than gifts of foreign exchange to make up for an inadequate competitive position.

I will finish these rather rambling remarks with a summary of my conclusions, as they apply practically to the FY '54 program.

1. There is good reason to continue with an OSP program in FY '54 both because appropriate amounts of aid in the form of foreign exchange can have a multiplier effect on military expenditures in a number of countries for some time longer and because I gather that quite a lot remains to be done in building a suitable war production base.

2. What I would regard as an appropriate amount of OSP in each country, from the standpoint of short-term economic considerations alone, is that which would (in conjunction of course with other ex-

traordinary receipts and any other aid) give rise to a modest increase in monetary reserves during the period when the main impact of the transactions is felt on the balance of payments. Taking longer-run considerations into account, there should be sufficient OSP to support the creation of a war production base suitable in the light of the desired scale of military production after the build-up is complete. (Presumably, an adequate war production base would provide for considerable excess capacity after the build-up.)

3. I would endeavor to avoid all direct budgetary aid. In the case of France, if such is given to support the war in Indo-China, I would take it into account in shaping the OSP program for France.

4. I would initiate planning discussions with the Europeans at the earliest possible date to consider appropriate policies for the period after the military build-up and, in the course of these discussions, would make clear that extraordinary dollar earnings would begin to taper off toward the end of FY '55 and that the Europeans must not in any of their planning place major reliance on this source of foreign exchange after the next 2 or 3 years.

No. 270

U/MSA files, lot 59 D 355, "FY 1954 Mutual Security Program"

Memorandum by the Director of the Budget Division of the Mutual Security Agency (Lawson) to the Assistant Director for Programs, Office of the Director for Mutual Security (Ohly)

SECRET [WASHINGTON,] November 13, 1952.

Subject: Recapitulation of FY 1954 Title I (Europe) Defense Support Requirements

The purpose of this memorandum is to summarize and clarify our FY 1954 requirements for Title I (Europe) Defense Support as expressed in numerous MSA papers and Bureau of the Budget hearings. As indicated in the table below, our total requirement is $1,561 million, which is $300 million higher than the statement included in my memorandum of November 10, 1952.[1] The additional amount consists of (a) $150 million for U.K. to cover the contingency of full "pay as you go" for U.K. forces in Germany, and (b) $150 million for France to take into account the omission in the Defense Department submission of $150 million of offshore procurement in France for Indo-China.

The contingent amount for full "pay as you go" for U.K. forces in Germany is in accord with the memorandum from Mr. Ohly dated October 31, 1952[1] in which it was stated that for Mutual Security budget planning purposes no German support should be assumed for British forces in Germany. It is estimated that additional aid to U.K. would be required in nearly the full amount, i.e., $150 million, assumed in our August 25th submission as the amount of German contribution to the support of British forces. This item is clearly a contingency in that we still believe some German support is likely.

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[1] Not found in Department of State or Mutual Security Agency files.

As we have pointed out on numerous occasions, our estimate of French requirements assumed the placing of $150 million of offshore procurement contracts in France for Indo-Chinese equipment needs, presumably from Title III military funds. Our latest information regarding Department of Defense assumptions indicates that no such funds have been included in the Title I or Title III military submissions. As indicated in our latest paper on France, dated November 6, 1952, [2] we have reprogrammed the original $350 million earmarked for EDC. Two hundred million dollars of this amount would be furnished to the EDC for defense production purposes without any earmarking as to the ultimate recipient of these funds. The remaining $150 million, plus the $150 million originally assumed to be provided as offshore procurement from Title III military funds, is proposed for France to support the Indo-China operations. While we believe it would be more appropriate to include the latter $150 million as offshore procurement in the Title III military budget, it is indicated in this paper as a defense support requirement in the absence of this assumption in the Defense Department submission. Our total requirements are as follows:

FY 1954 Title I (Europe) Program Requirements

(in million dollars)

United Kingdom	400
United Kingdom Contingency	*150
European Defense Community	200
France (procurement for Indo-China)	150
France Contingency	†150
Southern Italy	35
Berlin	75
Greece, Turkey, Yugoslavia	139
Austria	35

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[2] Not found in Department of State or Mutual Security Agency files.

*Included, in accord with the Ohly Oct. 31 memorandum, as a contingency against full pay-as-you-go for U.K. forces in Germany. [Footnote in the source text.]

†Included in absence of provision in Title III military budget of $150 million for offshore procurement in France for Indo-China. [Footnote in the source text.]

FY 1954 Title I (Europe) Program Requirements—Continued

(in million dollars)

Spain	50
Technical Assistance	24.5
Moody Amendment	50
Basic Materials	‡26.5
DOT Development Program	76
Total	1,561.0

‡An additional $22.5 million equivalent of 10% counterpart is programmed for basic materials (exclusive of DMPA requirements), comprising a total program of $49 million of dollars and dollar equivalents. [Footnote in the source text.]

G. W. LAWSON JR.

No. 271

Editorial Note

Harold Stassen succeeded W. Averell Harriman as Director for Mutual Security in January 1953, Stassen visited Western Europe with the new Secretary of State, John Foster Dulles, January 31–February 8, 1953. For documentation on the Dulles-Stassen trip to Europe, see volume V, Part 2, pages 1548 ff.

No. 272

103 MSA/3–353

The Under Secretary of State (Smith) to the Director for Mutual Security (Stassen) [1]

SECRET [WASHINGTON,] March 3, 1953.

MY DEAR MR. STASSEN: The Department of State has reviewed the documents dated February 24, 1953 which were prepared by the Mutual Security Agency for budgetary justification of the Defense Support programs for Title I countries in Fiscal Year 1954. [2] We are in broad general agreement with the basic policies outlined in these documents as well as with the assumptions and reasoning underlying the recommendations for aid to various countries. We do, however, wish to make certain comments relating to political or other conditions in individual countries, as well as certain new information, which we believe should assist you and the Bureau of the Budget in making a final determination as to the recommendations of the Mutual Security Agency.

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[1] Drafted by Robert G. Cleveland and cleared in substance with Bonbright, Riddleberger, Richards, Newman of S/MSA, and Nitze.

[2] Reference is to a series of narrative and tabular statements in support of revised MSA fiscal year 1954 budget proposals for Europe. Copies of these documents, along with a covering memorandum from George W. Lawson to John Ohly, dated Feb. 24, 1953, are in DMS files, lot W–1444, "FY 1955 Program Estimates".

France.

We fully support the proposed aid figure for France in the amount of $500 million. This amount is essential as support for the French global defense effort if this is to continue at the magnitude which we believe is necessary. Such assistance would be the equivalent of about two-fifths of the present French budget for the war in Indochina. In addition, the French NATO program amounts to more than $2.5 billion a year. We believe that if the French are to continue their effort in Indochina without relaxation, as well as sustain their present buildup in Europe, the recommended amount should be made available regardless of the aid techniques ultimately decided upon.

United Kingdom.

While we agree that $250 million defense support funds will be required to meet Mutual Security objectives in the United Kingdom during the 1954 Fiscal Year, we feel that this amount will be sufficient only if at least $150–$200 million of offshore purchases are made in the United Kingdom during the same period.

Italy.

While the Mutual Security Agency estimate of $35 million can be accepted as a realistic planning figure for the dollar aid requirements of Italy in Fiscal Year 1954, we feel that statements of justification require additional clarification. We agree that such dollar aid would contribute to an enlargement of the Italian defense program, would accelerate and stimulate socially and politically desirable developmental projects, and would, if necessary, protect the Italian reserve position. A more precise explanation should, however, be given of the priority to be assigned to these objectives and the precise ways in which this dollar aid would be employed.

Austria.

The $35 million aid figure is based upon projections into Fiscal Year 1954 of trade and payments trends which are currently very favorable. It may be unrealistic to rely upon continuation of these trends, since Austria, in addition to being subject to unpredictable world economic developments, is, perhaps uniquely, vulnerable to pressure from the USSR and its satellites, both in certain of its external economic relations and in the satisfactory administration of a portion of its economy at home. Thus, while $35 million is an acceptable planning figure, it appears to us that Austria's strategic and political importance is such that if additional dollar assistance were to become essential to preserve stability, we should make every effort, at that time, to provide it.

Germany (Berlin).

With regard to aid for Berlin, it should be pointed out that the situation in Berlin is subject to rapid changes and emergency conditions may develop suddenly. The pressures exerted by the Soviets, not only increase the flow of refugees [and] disturb business confidence, but lead to fears of total or partial interruption of access to West Berlin.

While we have no reliable indications of the likelihood of a blockade, we consider it imperative at this time to make adequate provisions to meet the approved goals which call for support of the Berlin economy and maintenance of our position there.

We are in agreement with the Mutual Security Agency estimate of $60 million for the Berlin investment program with the exception of that portion devoted to work relief. Our estimates indicate that approximately $18 million will be required for this purpose. Thus the total investment program should be increased to $66 million.

In the Mutual Security Agency submission we do not find adequate provision for the agreed stockpile goals, which are designed to prevent much greater expenditures if a full scale airlift were again to become necessary. Our information indicates a need for at least $40 million dollars for this purpose in fiscal 1954, and probably more. A review of stockpile requirements is now under way and its results should be available in matter of days. This review is expected to support a larger figure than the above.

On the basis of recent advice from Bonn it would appear that $15 million will have to be included for emergency aid for refugees. Exact figures and detailed justification for this new item will be available shortly.

In view of the foregoing information from the field, it would appear that a comprehensive program for Berlin in Fiscal Year 1954 would require approximately $121 million in contrast to the $68 million proposed by the Mutual Security Agency. These estimates are, however, subject to further clarification by the United States High Commissioner.

Yugoslavia.

The Department is in agreement with the Mutual Security Agency estimate that the United States portion of tripartite aid to Yugoslavia in Fiscal Year 1954 should approximate $64 million. However, it appears unlikely that more than $14 million additional aid can be expected this year from the United Kingdom and France.

Greece.

We are in substantial agreement with the estimates with respect to Greece; however, the assumptions made by the Mutual Security Agency, particularly with respect to Greek earnings from exports are believed to be somewhat optimistic in the light of experience to date; after a re-check, commodity-by-commodity of present export prospects, the Department believes the Mutual Security Agency figure of $35 million may prove to be inadequate to meet Greek dollar needs.

Greece occupies a key area and is maintaining armed forces disproportionate to its wealth and resources. Its reserves are low and a pipeline of goods in process constitutes an element of security it seems advisable to maintain. The Greek Government elected last November is proving cooperative and firm in its opposition to Communist moves. It would be most unfortunate for the United States to treat defense support in a way that might indicate to the Greeks a lack of sympathy with the new Government. It is also evident that there are few areas where defense support aid is matched with as much military effort.

Turkey.

The Department of State considers that defense support aid of at least $55 million as well as certain budgetary support aid to the probable extent of $15 million will prove essential to the United States objectives of maintaining and strengthening the Turkish armed forces and at the same time providing for the continued economic development of this backward but awakened and progressive country. We concur in the view expressed by the United States country team in Turkey that expenditures for Turkish defense from Turkey's own resources should not be expected to increase in proportion to gross national product or budgetary revenues but rather that such increases be used to foster the development of an expanded economic base which would more fully support Turkish defense at a future date. It should be borne in mind that in the case of Turkey, as of Greece, relatively limited amounts of United States aid support a proportionally larger defense effort than in many other areas.

Offshore Procurement.

The Mutual Security Agency has indicated that its projections and recommendations as to aid to certain key countries are predicated on expectations as to the amount and character of offshore procurement contracting in those countries during Fiscal Year 1954 and prior years.

The Department of State considers that only if the projected offshore procurement programs for Fiscal Years 1953 and 1954 are substantially realized, will the aid recommended be adequate to meet the dollar needs of the countries concerned. These offshore procurement programs, while an important factor in solving the balance of payments problems of our principal NATO allies, have as their primary objective, the strengthening, and in some sectors, the further development of an effective European defense production industry which will be able to provide materiel for the future maintenance of European NATO armed forces.

Consequently, we recommend that the Fiscal Year 1954 program for offshore procurement in Europe be approved in a form that will clearly separate offshore procurement funds from Mutual Defense Assistance funds for other purposes.

Sincerely yours,

WALTER B. SMITH

No. 273

740.5 MSP/3-1753

Memorandum by the Director of the Policy Planning Staff (Nitze) to the Secretary of State

TOP SECRET [WASHINGTON,] March 17, 1953.

EFFECT OF REDUCTIONS IN MSAP EXPENDITURES DURING FY 1954 AND FY 1955

1. At the NSC meeting on March 17 [*18*],[1] the Director for Mutual Security will present a position, based on a detailed analysis by MSA, State and Defense, of the impact on our security objectives of an expenditure ceiling in FY 1954 of $5.5 billion and in FY 1955 of $4.0 billion. This represents a reduction of $1.9 billion in FY 1954 and $4.0 billion in FY 1955 from expenditure estimates in the Truman budget.

2. It is recommended that you supplement Mr. Stassen's statement by placing the problem in its foreign policy setting. In this connection, you may wish to make the following points:

a. At this time when we are trying hard to increase native forces in the Far East and trying to lay the basis for a satisfactory settlement in Korea and Indochina it is of the utmost importance that the rug not be pulled out from under these efforts by an arbitrary reduction in the deliveries of arms or of the economic assistance necessary to support the forces to be created. In the Far East, the expenditures required in FY 1954 and 1955 will probably exceed, not be less than, those contemplated by the Truman budget.

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[1] A summary of the Mar. 18 NSC meeting is provided in the editorial note, *infra*.

b. In Europe, the situation is more complicated. We are trying hard to put over EDC and get on with a German contribution to the defense of the area. Germany remains the principal potential source of strength which could contribute in the long run to lightening the U.S. burden. The prospects for EDC remain cloudy, but it would be unfortunate if domestic budget considerations forced us into a course of action which would foreclose in advance the prospect for a German contribution.

The European situation also bears on the Far East. If the U.S. is not in a position to meet certain of the French European requirements it is extremely doubtful that France will do what appears to be necessary in Indochina and may even go so far as to face us with the choice of abandoning Southeast Asia or taking over the Indo-Chinese fighting ourselves.

Critical negotiations concerning these objectives will take place next week with M. Mayer. [2] The French are asking for very large sums of money—much more than we have ever contemplated giving them—in return for continuing the war in Indochina and proceeding with the build-up of their forces in Europe via the EDC. I do not believe we should give them what they are asking. However, we must have some negotiating room to provide reasonable amounts of aid to the French if we can thereby achieve the tremendously vital security objectives which can be obtained only through French cooperation.

These European policies can be implemented only if the U.S. continues to provide assistance along the lines requested in Mr. Stassen's program of February 23. [3] The most critical elements in this program are the defense support and offshore procurement funds. These provide the essential flexibility without which we cannot hope to achieve our European objectives. If reductions are necessary they should fall first on the end-item element of the program rather than on defense support or OSP.

It may be that by the time the 1954 budget is presented it will be clear that EDC is not in sight. We should still, I believe, provide defense support and OSP funds in the amounts Mr. Stassen requested. We might in this event consider adjusting our end-item program to levels required by existing unexpended funds. Behind these changes would lie a basic policy change in Europe in the direction of strengthening the defense of the periphery at the expense of the center. We should be flexible and gradual in moving toward such a change since its objective would be to persuade the French to change their position and go through with the EDC. I still believe and hope that such a change in policy will be unnecessary.

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[2] French Premier René Mayer visited Washington Mar. 26–28.

[3] See the letter from Under Secretary Smith to Mutual Security Director Stassen, *supra*.

c. In the Middle East and South Asia, the weakness of the area and the limited nature of the tools we have available to work for an improvement make us extremely leery of arbitrary cuts in the expenditures which we can undertake there.

d. In Latin America the program is small but politically important.

e. If real reductions in program, as distinguished from achieving greater efficiency in executing programs, are necessary for domestic economic reasons, we question whether it is not more important to preserve our political flexibility of action while stretching out some items of our domestic military build-up than visa versa. If we lose important areas in the Far East, Europe, or the Middle East, the consequences can be of immense and almost irreversible significance to our entire security structure. It may be that with Stalin's death the immediacy of the threat of general war is somewhat postponed.

We therefore support the considerations advanced by Mr. Stassen in support of the earlier DMS budget submissions.

PAUL H. NITZE

No. 274

Editorial Note

The National Security Council discussed mutual security policies at its 137th meeting on March 18. President Eisenhower had already indicated, at the NSC meeting on February 11, his determination to make formidable reductions in national security spending and "to figure out a preparedness program that will give us a respectable position without bankrupting the nation". Eisenhower had received strong support from Secretary of the Treasury George Humphrey, but Stassen had "pointed out the capacity of the American economy to expand and to meet the obligations imposed upon it". Stassen briefed the NSC on March 18 on the proposed cuts in the Mutual Security program and "his conclusion as to the effect of the proposed cut was extremely gloomy. He felt that a cut of these proportions might well, for example, spell the end of the French effort to save Indo-China and might also result in French refusal to ratify the EDC treaties. Similar grim repercussions could be anticipated in other crucial areas of the free world."

On March 31 the National Security Council met with a group of civilian consultants to assess once again basic national security policies. At this time, Stassen "stated his belief that we could accomplish our objectives with respect to assisting our allies in the context of the new United States policy that seemed to be evolving." Stassen further stated "that he felt that the forthcoming program should have the following new emphases: (1) on modern weapons; (2) on sound economies, both for ourselves and for other nations; (3) private capital; (4) increased international trade. Governor Stassen felt that in the future our programs should involve lessened expenditure of funds but a longer period of commitment for U.S. assistance". If such an emphasis was to be followed in the Mutual Security programs "Governor Stassen believed that we could taper off and cut back on the NATO force goals". Stassen added that it would be impossible to lead other nations down the road the United States wished to follow if the United States was unwilling to put its own economy in order. A more stable economy and a drastic diminution of inflationary pressures were mandatory prerequisites to a program in which "we could subtract $1.5 billion in expenditures for the FY 1954 budget, and subtract $1 billion from the appropriations figure for FY 1954." For memoranda of discussion of the meetings of Feb. 11 and Mar. 31, see vol. II, Part 1, pp. 236 and 264; for a memorandum of discussion of the meeting of Mar. 18, see vol. I, Part 1, p. 592.

No. 275

700.5 MSP/4-2053

Memorandum by the Special Assistant to the Secretary of State for Mutual Security Affairs (Martin) to the Director for Mutual Security (Stassen)[1]

TOP SECRET [WASHINGTON,] April 20, 1953.

Subject: Title I Defense Support Program FY 1954.

Reference: (a) DMS Memorandum of April 14, 1953.
(b) Mr. Nitze's Memorandum of March 16, 1953.[2]

The Department of State has given careful consideration to the proposed guidelines for the Title I Defense Support Program for 1954 contained in Reference A as well as to certain tables constructed by the Mutual Security Agency showing a proposed distribution of obligations and expenditures in accordance with these guidelines.

It will be recalled that with respect to Title I Defense Support for FY 1954, the following were the principal assumptions given:

(a) A $950 million expenditure ceiling

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[1] Drafted by Robert G. Cleveland.

[2] Neither memorandum found in Department of State or Mutual Security Agency files.

(b) $600 million new obligational authority for France

(c) $150 million new obligational authority for the U.K.

(d) No increase in June 30, 1954 pipeline over June 30, 1953 figure.

The Department of State is convinced that adherence to these assumptions may seriously jeopardize, if not altogether compromise the achievement of most U.S. security objectives in Europe, and it strongly counsels against the adoption of all or any of the proposed limitations. The following is an evaluation of the political consequences that the proposed limitations could be expected to have on major U.S. policy objectives in Europe.

1. Maintenance of NATO Strength.

It is the considered opinion of the State Department that in order to obtain firm decision on 1953 and provisional 1954 force goals, it will be necessary to assure the French in advance of the April 23 Ministerial Meeting [3] that the Administration will include in its request to Congress for Defense Support appropriations, the same amount as was actually provided to France in FY 1953, i.e. $525 million. In addition, it will be necessary to assure the French of the U.S. willingness to consider additional financial support for increased effort in Indo-China (see below). Present estimate is that this may require $150 million additional. Assurances may also have to be given the British of Executive Branch intention to request $250 million defense support for the U.K. More definite conclusions with respect to the amounts of new obligational authority and expenditures needed for France and U.K. must await discussions to be concluded this week in Paris between U.S. cabinet members and French and U.K. ministers. Flexibility must be maintained in both expenditures and new obligational figures pending reports on these talks.

2. European Defense Community.

Ratification by France of the EDC is of course the critical obstacle to the attainment of the major U.S. objective of a European Army containing important German contingents. The Department of State considers that such ratification will be possible only if the French are reassured and reenforced in their status as a world power by continued and increased support for increased effort in Indo-China, which will permit them to continue the improvement of their NATO forces in the light of the size of eventual German Forces. French ratification is also clearly dependent on the British attitude toward maintenance of British forces on the Continent;

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[3] For documentation on the Eleventh Session of the North Atlantic Council at Paris, Apr. 23-25, see vol. v, Part 1, pp. 368 ff.

any substantial reduction in the British commitment would also have serious repercussions on ratification.

3. Indo-China.

As indicated in 1 and 2 above, the Department of State considers that not only the maintenance of the French and Associated States efforts in Indo-China, but also an increase of that effort with a view toward eventual military victory over Communist forces is major objective of U.S. security policy. The bare maintenance of such effort will require at least as much assistance to France in 1954 as in 1953. The desired increase of such effort is now a subject of urgent staff discussions, but preliminary estimates of the cost to the U.S. indicate that $150 million of additional defense support appropriations and expenditure authority may be required. It is abundantly evident that French resources will not permit any substantial increased French contribution to such effort.

4. U.K.

It is the Department of State's tentative judgment pending the outcome of the talks in Paris, that if the U.S. is not prepared to provide a reasonable amount of defense support (a minimum of $250 million obligations and expenditures) to the U.K., a reduction of total British military commitments may become a necessity. Such reductions might be felt not only in NATO, but also in other key areas, including Malaya and the Middle East.

5. Spain.

The considerations and recommendations regarding provision for defense support and military aid to Spain in FY 1954, outlined in the Under Secretary's letter of March 6 to Mr. Stassen, [4] represented the minimum amounts which were considered necessary for purposes of the current negotiations for U.S. use of Spanish air bases and naval facilities. While $25 million new defense support appropriations were strongly recommended by the Embassy and concurred in by the Department of State, it is felt that in view of the extreme stringency of funds and urgent needs elsewhere, that it is proper to risk no new economic funds for Spain, provided that the $125 million in previous legislation is reappropriated and that some provision is made for Spain in the new MSAP appropriations. It would still appear that of the $125 million reappropriation, $75 million would be devoted to economic aid; it is difficult to derive an expenditure figure, but this might amount to $50 million, not includng expenditures against the old loan which was not included in the ceiling figure.

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[4] Not found in Department of State files.

6. Yugoslavia.

A tripartite conference (U.S., Great Britain and France) on economic aid to Yugoslavia is now underway in Belgrade. To finance the level of imports in FY 1954 which the conference has agreed is required for an adequate Yugoslav defense effort and to help Yugoslavia to stand on its own feet at the earliest possible time, the Embassy, MSA/Belgrade and the MAAG have stated, will involve U.S. aid in the amount of $75,000,000. The British and French are expected to provide $14,000,000 in aid. The present situation of the Yugoslav economy is somewhat precarious, (in part due to last year's drought), and there is a shortage of imported raw materials. Stocks and pipeline at June 30, 1954 will be at very low levels. The aid level of $55 million suggested by MSA as necessary under the ceiling would almost certainly make it difficult for Yugoslavia to improve civilian consumption (already the lowest in Europe).

7. Greece and Turkey.

The relatively primitive countries of Greece and Turkey are maintaining and developing armed forces that are very large in relation to their total economic capacity. Both countries need time to further develop the economic base which would provide a permanent support for their economies and forces of adequate magnitude. It is felt that new appropriations of $50 million for Turkey may be adequate and that $20 million for Greece, although politically risky may have to be accepted in view of the overall shortage of funds.

8. Italy.

The amount of aid proposed by MSA for Italy ($25 million new obligational authority) under the expenditure ceiling, should, in view of the large pipeline, the balance of trade and reserve position, be adequate to prevent any serious economic consequences. However, any deterioration in general European economic conditions might result in a draw down of reserves which would almost certainly create political and psychological uncertainties and cause a serious retrenchment and reduction of defense expenditures.

9. Berlin.

The Department of State continues generally to support the original MSA estimates as to the cost of the Berlin investment program (approximately $65 million new obligational authority). In view of the special U.S. responsibility with respect to Berlin, it is believed that the U.S. contribution must be maintained at that level. The lack of such a program, or a reduced program at the level proposed by MSA under the ceiling could create a grave unemployment problem with attendant political risks which should be carefully studied before any decision is taken.

With respect to the stockpile program, failure to obtain the funds required ($40 million new obligational authority) would make it impossible to fulfill the stockpile targets established in accordance with the directive of the National Security Council. This directive calls for the establishment of a stockpile which, supplemented by a moderate airlift and existing private stocks, would maintain the city for a period of 12 months. The target date for this stockpile is the date of coming into force of the contractual agreements. Funds on hand and those anticipated on the part of the German Federal Republic are considered adequate to cover the stockpile requirements for solid fuels and food. The new funds requested are those necessary to provide for supplementary stocks of raw materials necessary to maintain employment at a tolerable level which would uphold morale and prevent the possible loss of the city through political disaffection. If the funds requested are not made available, it will be necessary to re-examine the stockpile program as a whole. It will undoubtedly be necessary to cut back the program from a 12 month target to a shorter time period, maintaining more balanced stocks of fuels, food and raw materials, or else it would be necessary to program for a larger airlift than projected by the study of the National Security Council. From a cost point of view the broadening of the airlift, apart from strategic disadvantages, would be very substantially more expensive than the funds necessary to build up the stockpile.

With respect to refugees, the $15 million figure which was given in the Department's letter of March 3, 1953, has been recently confirmed by Dr. Conant as an amount which he believes necessary for him to deal with this urgent political problem. Dr. Conant has, however, stated that he anticipates the necessity for a larger program, running up to possibly $100 million, which may be developed in the coming months, if the influx of refugees continues at the present rate.

10. Austria.

If it continues to be U.S. security objective to maintain the financial and political stability of a friendly government in occupied Austria, then dollar assistance should be available to the extent necessary to achieve this objective. The Austrian economy is peculiarly vulnerable to Soviet economic pressure; in the absence of any change in current Soviet policy toward Austria, a planning figure for new obligational authority of $25 million appears as the absolute minimum. However, certain Soviet economic moves, which in themselves might not be intolerable politically, might make such a planning figure hopelessly inadequate.

11. Total Requirements.

Depending on the outcome of the talks in Paris with the British and the French, it may be that minimum requirements consistent with U.S. security objectives for new and renewed obligational authority for Title I defense support in FY 1954 may reach $1325 million. Assuming no change in total pipeline during FY 1954, total expenditures would be at the same figure as new and renewed obligational authority. It is therefore possible that the proposed $950 million expenditure ceiling may be inadquate by as much as $375 million. As presentation to the legislative branch of a Title I program of this magnitude would obviously create certain difficulties, it may be desirable for presentation purposes to include a portion of the French program in Title III defense support. [5]

EDWIN M. MARTIN

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[5] Title III covered the East Asia-Pacific region, including Indochina.

No. 276

Editorial Note

On May 5 President Eisenhower sent a special message to Congress recommending passage of legislation extending the Mutual Security Program whose basic purpose the President characterized as "simply the long-term security of the United States living in the shadow of the Soviet threat". The President requested approximately $5,250 million for military weapons and for direct support of the defense efforts of friends and allies and approximately $550 million for technical, economic, and developmental purposes. Unlike President Truman in 1952, President Eisenhower did not present Congress with a specific region-by-region breakdown as to how the requested funds would be spent. The total amount requested by President Eisenhower represented a reduction of approximately $1.8 billion from the Truman Administration's projected mutual security request. (*Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953*, pages 256–259)

Both Secretary Dulles and Mutual Security Director Stassen testified before a joint meeting of the Senate Foreign Relations and House Foreign Affairs Committees on May 5. During the course of his remarks, Dulles stated that "a main objective of the program is to get the most security for the least cost". He also observed that a large part of the total amount was being requested for defense of the European area within the framework of the North Atlantic Treaty Organization and that the most careful planning had gone into the fashioning of the request. "There is no 'water' in this program to be squeezed out without taking greater risks than we believe are acceptable at the present time", Dulles stated in connection with the European portion of the proposed program. During the course of his testimony, Stassen stated that the program before the two committees "represents the product of months of work by the National Security Council where each of our security objectives was carefully studied, and its importance weighed in relation to the fiscal considerations" that so greatly concerned Secretary of the Treasury George Humphrey and others. The testimony of Secretary Dulles and Mutual Security Director Stassen is printed in Department of State *Bulletin*, May 25, 1953, pages 736–742.

The House Foreign Affairs Committee held hearings on extension of the Mutual Security Program in March. (83d Congress, 1st Sess., House Committee on Foreign Affairs, *Hearings . . . Mutual Security Act Extension*, March 1953) Senate Foreign Relations Committee hearings on the Mutual Security bill took place in the latter half of May. (83d Congress, 1st Sess., Senate Committee on Foreign Relations, *Hearings on a bill to amend the Mutual Security Act of 1951*, May 15–29, 1953) On May 27, President Eisenhower reduced his initial request by $354 million. On June 16, the House Foreign Affairs Committee reported H.R. 5710 authorizing $5 billion. Subsequently, the full House passed the bill after rejecting all amendments proposing further reductions but agreeing to an amendment by Representative Fulton (R.–Pennsylvania) requiring disposal of surplus agricultural commodities wherever possible. The Senate version of the Mutual Security bill authorized a grant of $5.3 billion and passed on July 1. A conference report fixing an authorization figure of $5,157.2 million was approved on July 10 and passed both houses on July 13. This agreement was reached, however, with the knowledge that the Appropriations Committees of both houses were working on further reductions in the appropriating legislation.

Secretary Dulles testified before the Senate Appropriations Committee on the Mutual Security Program on July 9, stressing again the vital nature of the Mutual Security Program to national security. During the course of his remarks, the Secretary stated that NATO forces had not yet reached an adequate level, and that an increased emphasis must be placed on aid to the Far East and to the military aid program for Latin America. The Secretary's testimony is printed in Department of State *Bulletin*, July 20, 1953, pages 88–92.

Following passage of the Mutual Security authorization bill and while the House and Senate Appropriations Committees were considering further cuts in the appropriations legislation, President Eisenhower, supported by Stassen and General Gruenther, invited Senators and Representatives to breakfasts and luncheons in an attempt to save the Mutual Security Program from further reduction. But during late July both the Senate and House Appropriations Committees and the full House decided upon further large cuts and, as a result of a compromise reached on August 3, a final appropriation of $4,531.5 million was agreed to which, together with $2,120.9 million carried over from the year just ended, gave the Administration a total sum of $6,652.4 million. Regarding the provisions of the 1953 Mutual Security legislation, see Document 280. Public Law 118, the Mutual Security Act of 1953, was signed by President Eisenhower on July 16, 1953. (67 Stat. 152–161)

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Editorial Note

In a special message to Congress of June 1, 1953, President Eisenhower transmitted Reorganization Plan No. 7 of 1953 relating to the establishment of the Foreign Operations Administration. In a separate message to Congress that same day, the President stated that his aim in establishing the new agency was "to centralize further the foreign assistance and related economic responsibilities" of the Executive Branch of the United States Government. In implementing this reorganization, Eisenhower continued, "I am taking certain administrative actions. These include the transfer from the Secretary of State to the Director of the Foreign Operations Administration four responsibilities: the administration of the Act for International Development; assistance to private foreign relief organizations; programs for aiding persons who have escaped from Communist areas; and operating functions with respect to United States participation in the United Nations Technical Assistance Program, the United Nations International Children's Emergency Fund, the United Nations Korean Reconstruction Agency, and the Intergovernmental Committee for European Migration". In addition, "Reorganization Plan No. 7 of 1953 provides for abolishing the offices of Special Representative in Europe and Deputy Special Representative in Europe, as authorized by section 504 of the Mutual Security Act of 1951, as amended. I am establishing a new United States mission to the North Atlantic Treaty Organization and European regional organizations. The chief of the mission will report to and receive instructions from the Secretary of State. The mission will include representatives of the Secretary of Defense, the Secretary of the Treasury and the Director of the Foreign Operations Administration".

In further explanation of his actions and aims, the President circulated a "Memorandum on the Organization of the Executive Branch for the Conduct of Foreign Affairs" to the Heads of all Executive Departments and to the Director for Mutual Security dated June 1, 1953. In this memorandum, the President stated, *inter alia*:

> ". . . the overall foreign affairs reorganization which I desire to achieve is designed to emphasize the primary position of the Secretary of State within the executive branch in matters of foreign policy. . . . It will be my practice to employ the Secretary of State as my channel of authority within the executive branch on foreign policy. Other officials of the executive branch will work with and through the Secretary of State on matters of foreign policy. . . . The Secretary of State, the Secretary of Defense, and the Secretary of the Treasury, as appropriate, shall review plans and policies relative to military and economic assistance programs, foreign information programs, and legislative proposals of the Foreign Operations Administration and the United States Information Agency [established simultaneously with the FOA under Reorganization Plan No. 8], to assure that in their conception and execution, such plans, policies and proposals are consistent with and further the attainment of foreign policy, military policy and financial and monetary policy objectives. The Director of the Foreign Operations Administration and the Director of the United States Information Agency will assure the concurrence or participation of the appropriate Secretary before taking up with me any policy matters of concern to that Secretary. The heads of these new agencies should furnish information to the Secretaries of State, Defense, and Treasury in such manner and form as may be agreed between the head of the agency and the Secretary concerned to insure that the program of the agencies and the implementation of such programs conform with foreign policy, military policy, and financial and monetary policy objectives. To the maximum feasible extent consistent with efficiency and economy, the internal organization of the new agencies should be designed to permit ready coordination with subordinate levels of the Department of State. This would suggest parallel areas of responsibility for constituent units of the State Department and of the two new operating agencies wherever feasible. . . . The Director of the Foreign Operations Administration should take full advantage of the advice and assistance available in other agencies. He should coordinate his operations with related operations in other agencies. At the same time, I expect the Director of the Foreign Operations Administration to maintain full control and direction over all foreign economic and technical assistance programs rather than turn this responsibility over to other agencies".

The complete texts of President Eisenhower's special messages to Congress on the "Organization of the Executive Branch for the Conduct of Foreign Affairs and the Transmission of Reorganization

Plan No. 7 of 1953" are printed in *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953*, pages 342–349. The memorandum on the Organization of the Executive Branch for the Conduct of Foreign Affairs, sent on June 1, 1953, to the Heads of all Executive Departments and to the Director for Mutual Security, is *ibid.*, pages 351-354.

No. 278

ECA-MSA-FOA files, lot W-13, "FY 1954 Mutual Sec. Presentation"

Paper Prepared by the Department of State, Department of Defense, and the Foreign Operations Administration [1]

CONFIDENTIAL [WASHINGTON,] July 17, 1953.

[MS/54 D-206/8 (10)]

EUROPEAN DEFENSE PRODUCTION STUDY

SUMMARY

A. THE U.S. PROGRAM FOR FISCAL YEAR 1954

In attacking jointly with NATO the specific problems of meeting equipment requirements of our NATO partners, and working at the same time toward the more general objectives of economic strength and political stability, a program is planned for FY 1954 comprising offshore procurement, assistance to facilities which would be needed in wartime, defense support and direct special payments programs.

B. U.S. PARTICIPATION IN EUROPEAN DEFENSE PRODUCTION

Economic capabilities of the Europeans are inadequate to enable them alone to provide for the defense of Western Europe. The effect of these limitations is most sharply felt in the matériel procurement budgets. Accordingly, the U.S. is making a major contribution to European equipment needs through MDAP end-items (including offshore procurement), mutual defense payments, and encouragement to European governments to release counterpart for defense production purposes.

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[1] A covering memorandum signed by Joseph S. Toner, Acting Executive Secretary of the Foreign Operations Administration, states that the source text was prepared for use in the fiscal year 1954 Congressional presentation by the Departments of State and Defense and the FOA. A number of other such papers, bearing the series indicator MS/54 D- are in the ECA-MSA-FOA files, lot W-13, "FY 1954 Mutual Sec. Presentation".

C. SUMMARY OF MAJOR U.S. OBJECTIVES

The U.S. is making its contribution to the joint effort in such a manner as to ensure the most efficient use of available, combined resources, in order to meet buildup, post-buildup, and wartime requirements, meanwhile seeking to minimize the need for U.S. aid.

1. *Relationship of Defense Production and OSP to Meeting Buildup Requirements*

The timing set by the military planners demands the current use of the bulk of hard goods production facilities adopted to munitions output. The U.S. is using its own facilities for its own military production as well as for equipment aid to other NATO countries, is increasing the ability of the Europeans to use their own facilities through the effects of mutual defense payments and special preproduction assistance to facilities, and is placing orders in European plants which the Europeans cannot afford to use even with aid. The FY 1954 program provides for continuing these activities.

2. *U.S. Longer Range Objectives in the Post-Buildup*

In order that the European countries can afford to maintain the forces built up, especially the U.S.-produced end-items, the U.S. is placing contracts in Europe for items for which further capacity is needed in Europe.

3. *Wartime Requirements*

It is necessary, because of the time lags involved in getting production underway on the Continent in the event of war, for the U.S. to support the Europeans in their effort to develop a needed wartime mobilization base that will ensure adequate supplies of ammunition, spare parts, and other critical items needed in wartime. The intended facilities assistance program and the FY 1954 OSP program will help to answer this need.

D. ECONOMIC CONSIDERATIONS RELATING TO DEFENSE PRODUCTION AND OSP

The limited economic capabilities of NATO Europe are a basic reason for the entire Mutual Security Program, along with inefficient use of resources available. Offshore procurement and defense support (with its accompanying counterpart and productivity elements) have successfully attacked these limitations in the past. With the continued assistance to be provided by OSP in creating a demand and providing financing to put resources to work, and by mutual defense payments in supplementing budgets, providing needed dollar exchange, and carrying out productivity and technical assistance programs, they can carry forward the attack on these limitations in the coming year.

E. POLITICAL CONSIDERATIONS RELATING TO DEFENSE PRODUCTION AND OSP

On the political side, OSP can effectively contribute to the achievement of important U.S. political objectives as a result of promoting a coordination and integration of NATO or EDC defense production, by reducing the need for direct dollar aid, and by establishing a base for ultimate European self-sufficiency in munitions production. The results of these actions are to foster general unity and integration, to reduce the political irritant involved in donor-donee relationships between nations, and to strengthen certain countries against potential internal aggression.

European Defense Production Study

A. THE U.S. PROGRAM FOR FISCAL YEAR 1954—SUMMARY

1. Purpose of Program

The interests—military, economic and political—which the U.S. has in European defense production relate to problems of both a general and a specific nature. The purpose of the U.S. program for FY 1954 is to aim as accurately as possible at the specific problems, working out solutions for these, that, taken together, will also contribute toward the solution of the general problems.

The specific problems are those of satisfying equipment and production deficiencies, regarding which the U.S. is working as one member of NATO. They are the problems of meeting existing deficiencies for specific end-items, of providing adequate peacetime supplies of spare parts, ammunition, and replacement equipment, and of preparing to meet wartime demands for certain items—all out of Western European production. The means of solution are those of procurement and investment, of financing and foreign exchange, of production assistance and standardization, and of supplies of raw materials and production equipment.

The general problems are the ones basic to maintaining economic strength and political stability. These objectives will be attained only if the total amount and cumulative effect of the separate measures taken are adequate and coherent. The U.S. program of participation in European defense production has been, and should continue to be in FY 1954, a contribution supplementing the Europeans' own efforts to reach the buildup goals, to lay the foundations for post-buildup supply, and to prepare for wartime production. At the same time, the U.S. contribution as a whole must help to strengthen Europe economically and to stabilize Europe politically.

The successful administration of the U.S. program in terms of attaining the U.S. objectives requires working with and through the NATO to the greatest possible extent. The initial NATO planning which the U.S. program supports is on a regional basis, in which national interests are to a certain extent merged in order to achieve the maximum combined effect. Successes in the past, e.g., the NATO Aircraft Program, promise every hope for accomplishment during the next year.

2. *Program for FY 1954*

A three-part program is planned for FY 1954. Each of the parts involves the use of a technique for administering the U.S. contribution to European defense production and is aimed at one or another of the specific objectives already briefly discussed. In other papers there is fuller discussion of the regional development of requirements and defense production programs for the various equipment categories, of the individual countries' contributions and capabilities in defense production, and of some special problems in these areas.

The intended program provides for continuity of U.S. effort in the continuing mutual effort through offshore procurement, assistance to facilities needed for wartime production, and mutual defense payments.

a. Offshore Procurement

The present objective is the use of some $1.5 billion out of the requested end-item funds for offshore procurement, of which the great bulk will be spent in European countries. The OSP technique is well suited to picking off, one by one, individual specific objectives represented by the most urgent end-item deficiencies. At the same time, OSP can help to strengthen the industries concerned and to mitigate the general dollar shortage.

The expected OSP program for FY 1954 will, in essence, satisfy urgently required end-item equipment deficiencies and provide major assistance to NATO Europe in establishing a European military production base. Since the MDA program on which the OSP program is based reflects screened military deficiencies and valid military priorities, the OSP program has these paramount military considerations built into it.

Critical deficiencies of military end-items exist in Europe, while at the same time large production capacity to reduce these deficiencies lies idle. The primary obstacle to use of this capacity is and has been the lack of funds. Sufficient usable capacity for an OSP program of the sort presently planned exists in Europe for FY 1954. The utilization of this capacity would permit a more rapid and profitable expenditure of needed funds.

As with the FY 1953 OSP program, the FY 1954 program is expected to place great emphasis on the categories of ammunition, aircraft, electronics and ships, as well as on spare parts for several categories. Significant amounts of artillery will likely be included, as well as some small arms, and aircraft and naval equipment. The purposes OSP is to serve in each of the nine categories of major matériel are discussed at greater length in other papers.

b. Assistance to Facilities Needed in Wartime

Facilities assistance for expansion of the existing munitions industry in Europe is necessary to meet requirements for the NATO forces buildup, but particularly to provide manufacturing capacity for "high rate consumables", requiring large amounts of shipping space during wartime, such as ammunition.

European manufacturing capacity for ammunition is significantly limited due to certain bottlenecks. However, if European facilities for the production of explosives and propellants and for loading were balanced with European metal-working capacities, the European ammunition industry would be able to supply approximately 25 percent of estimated wartime requirements.

To bring the explosive, propellant and loading capacities in France and Italy up to a point where they are in balance with the metal component capacities requires a $112 million expansion program. Of this $112 million, France and Italy have undertaken to expend $34 million, leaving $78 million required to complete the International Staff program.[2] In return for a contribution by France and Italy of $28 million more, the U.S. is considering making a contribution of much or all of the remaining $50 million to develop facilities in these countries.

In addition to completing the initial $112 million International Staff program, the U.S. is also considering a further increment of assistance for ammunition capacity expansion through assistance to the U.K. and to Greece, Portugal and Turkey, to relieve further these critical deficiencies in the NATO wartime mobilization base.

Finally, some consideration is being given to using approximately $5 million in U.S. equipment aid for conversion of European facilities to production of steel cartridge cases, predicated upon the assumption that Europe would make an equivalent contribution. World copper shortages make it essential that European manufacturers convert to steel cases, the raw materials for which are indigenous to Europe.

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[2] For a discussion of the production program evolved after 1952 by the Production Division of the International Staff of the Office of the NATO Secretary General, Lord Ismay, see Ismay's report, *NATO: The First Five Years, 1949–1954*, pp. 128–130.

c. Mutual Defense Payments

The U.S. is planning assistance in the form of direct special payments programs for France and U.K. The U.S. interest in defense production in Europe supports this recommendation strongly for these countries which are making, and with defense payments can continue to make, major contributions to NATO Europe's military equipment needs. The use of counterpart funds contributes directly to equipment production.

B. U.S. PARTICIPATION IN EUROPEAN DEFENSE PRODUCTION

A defense effort in Western Europe adequate to counter Soviet strength is still clearly beyond the capabilities of the Europeans themselves, and American participation in this effort must continue to be substantial. However, the contribution we have made in the past is beginning to pay dividends: the capabilities of our Western European allies are rising steadily. As we progress, the form and content of American participation must be adjusted to take best advantage of Europe's own abilities, and to insure that the total defense effort does not slacken.

In the past several years, our contribution has taken a number of forms:

(*i*) We have contributed indirectly through the deterrent power of our Strategic Air Force and our atomic weapons.

(*ii*) We have made a most direct contribution in the form of American forces in Europe, which not only represent the strongest element in the SHAPE army, but which have had a decisive effect on European morale at a time when the Soviet threat seemed almost irresistible and have acted as a catalyst for the effective organization and training of Europe's own armed forces.

(*iii*) We have also contributed reinforcement and supplement for the military effort of Europe with the aim of minimizing the need for U.S. troops stationed abroad.

Since the beginning of the Korean war, the composition of this aid has gradually come to focus on the problem of military materiel. In effect, a sharing of tasks has developed, in which the first claim on Europe's own financial resources is for raising, training and maintenance of troops, whereas the primary assignment of American aid is to provide these troops with modern equipment as rapidly as it can effectively be used.

Two techniques are being used by the U.S. for supplying end-items to NATO forces:

(*i*) Sizeable amounts of U.S.-produced equipment have been shipped to Europe under the MDA end-item program.

(*ii*) This MDA end-item program also includes purchases of end-items in Europe to be turned over to the European forces. This technique of providing end-items, known as "offshore procurement", has proved to have a number of advantages, and its use has been expanded greatly during the past year.

We have also encouraged European governments to supplement their normal budgeting appropriations for defense purposes with releases, for procurement of major matériel, of large sums of the counterpart of aid provided both under the European Recovery Program and the Mutual Security Program.

In addition, we have contributed directly to specific defense production projects by the MAP program, and to production in general by dollar defense support assistance, both of these in the form of dollar financing of imports from the U.S.

Within the total of FY 1954 mutual defense financing, there are two specific programs for financing $100 million of aircraft in the U.K. and $100 million of weapons and ammunition in France. These programs would be carried out on the basis of written agreements with the British and French Governments, and would involve some system of direct payment to these governments to cover the production costs of the equipment as provided in the agreements. It is not intended to use a dollar-commodity programming technique in connection with these programs; dollars received under these special defense payments programs will, however, of course increase the availability of foreign exchange to cover needed dollar imports.

C. SUMMARY OF MAJOR U.S. OBJECTIVES

The production of military equipment in Europe has two major objectives: first, for NATO Europe to develop combined strength sufficient to prevent aggression, and, second, for NATO Europe to become as self-sufficient as possible. The efficiency with which European resources are employed in building up Europe's defense strength has a direct bearing on the volume of U.S. aid required and on the effectiveness with which such aid is used. It has a bearing, too, on how soon and by how much U.S. aid of all sorts can safely be reduced.

Under the offshore procurement program the U.S. is purchasing a large proportion of the military hard goods produced in the NATO countries. Such procurement must be coordinated with the plans of other countries. The totality of planned European production and procurement, including that financed by U.S. contracts or with U.S. aid, must represent an efficient use of the combined U.S. and European resources. It must be developed in such a way as to be consistent with the military, political and economic objectives which have as their common goal building on a stable and enduring basis the defensive strength of our European allies. This consistency can be achieved by coordinating U.S. plans, through NATO, with those of the other countries.

The NATO defense effort has several phases. In approaching the problem of producing major military matériel, it is necessary to work with the supply implications of each of these phases, as follows:

Buildup Requirements: The equipment, ammunition and supplies for equipping and training the military forces must be available to the forces as they are called into being. In view of the shortage of funds, it is particularly important that this military requirement be met as economically and efficiently as possible.

Post-Buildup Requirements: The matériel assigned to forces in being must be maintained in operable condition and replaced as it wears out or becomes obsolete. The European production facilities out of which buildup requirements are being met are those on which NATO Europe will largely have to rely to meet post-buildup requirements. Thus, it is important to plan production now which will (a) minimize Europe's long-run dependence on U.S. assistance; and (b) achieve a balanced expansion of production capable of meeting post-buildup requirements.

Wartime Requirements: The consumption of all major military matériel rises sharply in time of war, and logistic considerations demand that certain items be readily available to the forces in the combat zone. Accordingly, for selected items, wartime requirements must fundamentally affect present production and facilities planning. In formulating resultant defense production plans for Europe as a whole, and for individual countries, both NATO and the U.S. must take into account the objectives of political stability and economic strength.

1. Relationship of Defense Production and OSP to Meeting Buildup Requirements

It was recognized early in the effort that the costs of NATO rearmament were beyond the ability of the European NATO countries to finance without external assistance.

The basic industrial capacity of Europe, given ample time and financing, might have been adequate to enable European governments to eventually meet most of the equipment requirements from indigenous sources. However, given the urgency of meeting the equipment requirements of the agreed forces buildup, and the far greater delay involved in equipping European forces from European production (the U.S. led Continental European countries by about a year in retooling for military production), it was evident that at that time the U.S. was the best available source for most items of heavy military equipment.

The fact that European governments could not cover the total financial cost of the military effort which their assigned part in the NATO military program required, and the special difficulties involved in European production of required matériel as compared with European contributions of forces, construction, and operating expenses, left little choice in deciding that U.S. aid should be concentrated on delivering military equipment from U.S. sources. It was also clear that this aid should be concentrated in those categories where apart from financial limitations European production would be unable to meet the deficiencies in the time required. The table below gives an estimate of that portion of the overall costs of the current NATO buildup program borne by European NATO countries and by the U.S. and Canadian aid programs.

European NATO Defense Expenditures and U.S./Canadian Aid

(*in millions of dollars*)

FY 1950 through FY 1953

	Expenditures	*European Expenditure*	*U.S./ Can. Mil. Aid Deliveries*	*Total*
I.	Personnel	$10,995	—	$10,995
II.	Major Equipment	7,105	*$4,328	11,433
III.	Military Construction	2,340	†151	2,491
IV.	Operation & Maintenance	10,636	‡916	11,552
V.	Other Defense Expenditures	1,937	—	1,937
	Total	§$33,013	$5,395	$38,408

*Estimate includes $300 million estimated from Canadian aid. [Footnote in the source text.]

†Estimate based on Table 6, NATO Annual Review, 1952. [Footnote in the source text.]

‡Estimated non-concurrent spares under end-item programs. [Footnote in the source text.]

§Source MSA/W estimates of 5/1/53. Greece and Turkey included. Includes use of counterpart (program approvals for military purposes totalled $1,324 million as of 28 February 1953). Also includes expenditures from budget-supporting OSP for France totalling slightly over $200 million. [Footnote in the source text.]

The figures in the preceding table show the very considerable effort the Europeans have contributed to the mutual effort. The following table indicates the increase in European military expenditures over the years since Korea, and particularly the increasing proportion devoted to procurement of major matériel during the period—rising from 16% to over 30% of the total.

Military Expenditures of European NATO Countries||

(in millions of dollars)

		Expenditures	*Actual*		*Estimated*	
		FY 50	*FY 51*	*FY 52*	*FY 53*	*FY 54*
I.	Military Personnel	$1,893	$2,411	$3,237	$3,454	$3,489
II.	Major Equipment	845	1,082	2,028	3,150	3,369
III.	Military Construction	223	290	743	1,084	1,115
IV.	Operation & Maintenance	1,931	2,226	2,997	3,482	3,608
V.	Other Defense Expenditures	433	417	498	589	549
	Total	$5,325	$6,426	$9,503	$11,759	$12,130

||Source: MSA/W—5/1/53 estimates. Includes Greece and Turkey. [Footnote in the source text.]

It is clear that this rapid early rise in equipment expenditures is reaching its limits. Total defense expenditures are pushing against limitations of total budgetary resources of the NATO countries, and at the same time unavoidable defense expenditures for other purposes than major matériel are rising as new forces are activated and trained. We are approaching the point, therefore, where European expenditures on procurement of major matériel will be expanding only slightly. However, even though the European matériel budgets level out, they will cover an increase in the proportion of buildup costs assured by the Europeans.

The European defense production potential has grown in both volume and versatility over the past three years. This is due to European-financed orders to U.S. offshore procurement, and, less directly but very importantly, to the European Recovery Program and defense support aid under the Mutual Security Program. It is believed that this growth has been marked by increased efficiency in many cases, and has been reflected in lower prices and shorter delivery times. These results are encouraging not only to the placement of U.S. orders offshore where appropriate, but also to laying out a rational defense production plan for the longer term.

Likely OSP in 1954, taken together with end-items procured in the U.S., will substantially meet the high-priority deficiencies remaining in the buildup. At the same time, the use through OSP of European production facilities increases the self-sufficiency of our NATO partners, as does self-financed production.

2. U.S. Longer Range Objectives in the Post-Buildup

In the process of promoting, and participating directly in, the buildup of the European forces, the U.S. must keep in mind that the financial burden required by the maintenance of such forces cannot be beyond the collective capabilities of the European governments, plus whatever continued U.S. assistance we wish to provide. This requires a reconciliation of the military targets with economic capabilities, presently undertaken by NATO in the Annual Review process.

At the same time, in view of the probable continuing dollar shortage which will make future procurement of any substantial portion of such maintenance requirements from the U.S. a doubtful possibility without U.S. assistance for this purpose, the U.S. must promote the establishment of a physical capacity for indigenous production of most of the U.S.-type equipment and spares required for replacement and maintenance purposes.

Attainment of this objective requires some joint programming of defense production in Europe, a process in which OSP can play a crucial part. What is required, broadly speaking, is a selective balanced buildup of military production in Europe to insure that physical capacity will exist for the production of most of the items of equipment including spares, components, etc. (other than those which for strategic or security reasons should be supplied from U.S. sources)—capacity, that is, defined in the narrow sense, i.e., ability to produce a specific item in the desired quantity after a reasonable time-lag for tooling and conversion. Thus, the OSP program should give special consideration to items where capacity for production is below the long-run recurring requirements.

For U.S. types alone, by the end of the buildup the annual recurring maintenance cost for spare parts and equipment for aircraft, electronics, combat and non-combat vehicles and other major categories in NATO Europe has been estimated at approximately $880 million, while annual capacity available for such production is now only $300 million. Apart from wartime logistical considerations, the magnitude of these costs points up the desirability of establishing European sources of supply if European independence from U.S. aid is to be progressively achieved.

In this expansion of European production it is important insofar as possible to avoid over-expansion of productive capacity during the buildup period for individual items of military production which would represent a significant waste of resources when peak production has been passed.

The expected OSP program will provide the financial and technical means for establishing in existing facilities the types of production most urgently needed in the post-buildup period.

3. Wartime Requirements

Wartime requirements demand a large increase in the volume of production. Finished items must be readily available to the combat zone. Production facilities must be as safe as possible from damage or capture. From all three points of view, Europe is capable of making an important contribution to wartime supply.

The huge increase in demand for all military matériel to be expected in case of war, especially for hard goods, will tax all available production resources. Consequently, preparatory measures to establish an adequate base on which industries can be mobilized are needed. In the U.S. we have recognized that no matter how great our resources may be, the pattern for the use of these resources for war will be strikingly different from that which obtains in peace. In the U.S. we are making large expenditures to ready ourselves for this rapid change in the pattern of production. In Europe, because of the nature of its industrial economy, particularly the lack of a well-developed consumer hard goods industry, the job will be more difficult.

In addition to longer range measures, it is recognized that orders or assistance given to European munitions industries now will affect their future contributions to wartime needs. This recognition is basic to the programs recommended for FY 1954: even though buildup and post-buildup considerations have shaped the OSP program, the recommendation for assistance to explosives and propellants plants, for example, is based on the need to act now to meet the high priority wartime requirements for these items. It must be recognized, however, that some conflict will inevitably exist between the objectives of building a base adequate for wartime mobilization and a base designed for meeting post-buildup requirements, and some adjustments in specific targets will remain necessary.

It is expected that the U.S., at least during the first full year of an all-out war, would not be able to meet all requirements for military hard goods from its own production. Therefore, increased utilization of Europe's industrial potential would be crucial for adequate support of NATO European forces in combat operations.

Wartime needs would be met through some combination of reserve stocks and production capacities. Some of the plants needed in wartime are not needed for peacetime maintenance of forces. These must be kept in standby condition. Generally speaking, standby capacity is believed to be less subject to obsolescence and easier to modernize than the end-items which could be produced and stocked. The cost of excess end-item capacity will also often be less than the equivalent amount of war reserves required to meet time-phased requirements after the outbreak of conflict. However, the length of time required to activate standby capacity must be taken into consideration.

Another source of capacity in wartime is conversion of facilities normally producing civilian durable goods. Closely related to this is the diversion of raw materials into the expanded production of military goods. Neither of these areas is directly affected by the likely FY 1954 OSP program, but both must be kept in mind.

Competition for OSP orders has led to the extension of subcontracting arrangements, a very desirable development in the European defense production base, and it is expected that the OSP program for the coming year will continue to bring more companies into some aspect of defense production.

Wartime logistics are significant in establishing the relative importance of facilities producing any type of major matériel. They are overwhelmingly so in the cases of ammunition and spare parts. Consequently, these two fields have been the first ones selected for study by the NATO International Staff, and it is to the results of the ammunition study that the facilities assistance program intended in FY 1954 is primarily directed.

The defense production program must insofar as possible move in step with actual strategic possibilities. Production must first be fostered in those areas which are the most secure in military terms, wherever possible from an economic and a political point of view. Of course, it must be recognized that the industrial potential of Europe is to some extent constrained within the pattern set by the location of natural resources and existing facilities.

The facilities assistance program and expected OSP of ammunition and spare parts from existing facilities will make a vital contribution toward preparing European industry to meet wartime requirements of these necessities, rapidly consumed in combat.

D. ECONOMIC CONSIDERATIONS RELATING TO DEFENSE PRODUCTION IN EUROPE AND OSP

The self-interest of the U.S. in reducing the burden on its economy of assistance to European defense production in present magnitudes is a major motivation for U.S. interest in European defense production. A long-run U.S. goal is clearly that of meeting European needs from self-financed European production to the extent that European financial capabilities permit utilization of the growing European productive capacity, and subject to the desirability of the U.S. supplying for the foreseeable future a very limited number of highly classified weapons.

Of course, to date, for both productive and financial reasons, the U.S. has had to supply from U.S. production the bulk of the major items of equipment needed for the forces buildup, and many of the items requiring greater technological skills and more advanced industrial plant. However, the growth of European productive capacity and of financial resources, together with the reduction in equipment needs for the buildup, suggest that the U.S. MDAP contribution may, indeed, be much smaller in the foreseeable future. Clearly, the composition and disposition of European defense production, and the efficiency with which European resources are employed in building up Europe's defensive strength, have a direct bearing on the volume of U.S. aid required, on the effectiveness with which such aid is used, and how soon and by how much U.S. aid can safely be reduced.

U.S. assistance in various forms to European defense production is of economic advantage both to the U.S. and the European Governments. U.S. OSP is a significant, growing factor in stimulating the development of basic European resources, in training the European labor force and European managements, and similarly in improving the European dollar position.

OSP is of general economic assistance to a country. The dollar receipts from OSP contracts provide the producing country with the means of increasing its dollar imports, including those generated by the production for OSP itself. However, OSP contracts can be let only where productive facilities are available to make military goods and this, rather than dollar need, must remain the principal determining factor in distributing OSP by country. To some extent, also, the dollar receipts from OSP are, and must be, timed by the lead time of production, as payment is made on delivery. In practice, this is not a serious limitation—the possessor of an OSP contract has assurance of future dollar receipts and can view its current dollar position in that light.

OSP makes a contribution to productivity and a more effective use of resources. Through OSP we are introducing the production in Europe of many modern American weapons, and we are insisting on the same quality standards as are required from American manufacturers. We are supplying drawings and specifications, and assisting the European firms to develop relationships with American suppliers of proprietary parts. In certain cases, OSP and defense support are being concerted, so that tooling and technical assistance financed by defense support make it possible to get OSP production under way more quickly and effectively.

OSP has its most immediate and powerful effect in absorbing resources which a country is unable, for budgetary reasons, to make available to the defense effort. Our procurement is bringing defense production potential nearer to uniformly full use throughout Europe, providing European forces with matériel which would not otherwise have been produced, and keeping the defense industry of Europe intact until such time as the capability of Europe to finance its use increases.

It is clear that the form which U.S. assistance takes is steadily moving in the direction of OSP.

However, other forms of aid have a continuing role to play. U.S. defense support assistance over recent years has further increased the availability of critical dollar items, a large part of which are directly or indirectly required for the European defense effort. Defense support has strengthened the economies of Europe and the will of European governments, and expanded their budgetary capabilities for defense expenditures. U.S. technical assistance has helped to train European workers and management in fields associated with European munitions industries. The U.S. productivity program has increased the productivity of European industries and has started a series of developments which may be expected to increase Europe's ability to meet its own defense requirements.

Defense support, as it has been called in the past, is a net contribution to resources, focussed on the dollar import requirement. The goods shipped under the defense support program can be and are adjusted to meet the needs arising from increased defense production: needs for machinery, for special metals and other raw materials. Defense support funds are also used for technical assistance and productivity programs, with special emphasis on the setting up and improvement of lines of production for modern weapons. Finally, encouragement can be given to the use of the counterpart of defense support for a supplement to the defense production portion of a country's budget. Very important amounts of counterpart were released or have been earmarked for defense purposes in the period 1951/52 through 1953/54. The flexibility of defense support is very great. Since the lead time of commodity shipments is relatively short, the contribution to total resources can be adjusted rapidly to meet particular needs as they arise. Counterpart funds can be accumulated, released en masse against a defense production need, or used to cut back a country's internal debt if resource mobilization is not a problem.

The expected program for OSP in FY 1954, taken together with release of counterpart, the technical assistance program and defense payments aid will continue an effective attack on the resources limitations preventing expansion of defense production in Europe.

E. POLITICAL CONSIDERATIONS RELATING TO DEFENSE PRODUCTION AND OSP IN EUROPE

The U.S. offshore procurement program contributes to several of our major U.S. foreign policy objectives. These include fostering the development of European integration and unity, strengthening countries against internal aggression, promoting the sense of U.S. and European partnership, promoting free enterprise, combatting communism, and increasing European self-sufficiency and strength to resist aggression. The U.S. offshore procurement program achieves these objectives as by-products of the process of increased U.S. participation in the defense production program in Europe.

One of our major foreign policy objectives is to encourage European unity. The development of an integrated defense production program by NATO or EDC countries will represent a significant step towards achieving this objective. Since individual country programs inevitably reflect in part consideration of national prestige, protectionist interests and other domestic political, economic and social pressures, offshore procurement can be an effective lever to induce European countries to direct production into channels calculated to achieve a more integrated pattern of defense production.

Meeting our military, political and economic objectives in NATO requires a sense of full U.S. partnership and participation on the part of our European allies. The offshore procurement program by combining U.S. financing with European capacity affords tangible evidence of such participation, thus fostering a sense of common purpose and substantial identity of interests. The greater this sense of common purpose and partnership, the more it will succeed in alleviating the political irritant inherent in donor-donee relationships such as exist between the U.S. and NATO Europe.

By expanding the European military production base, OSP at the same time decreases European dependence on the U.S. as a source for its military equipment requirements. Apart from the evident gain in terms of military logistics, this increase in the self-sufficiency of European nations will help restore their self-confidence and instill in their peoples a greater sense of control over their own destinies. The result can be a more effective European contribution to and more unreserved public support for the mutual defense effort.

The offshore procurement program by increasing employment and industrial activity in general can also contribute towards furthering free-enterprise and reducing communist influence in European countries. It tends, simultaneously, to strengthen them against risks of internal subversion. In the present cold war the heightened level of economic activity among our allies provided by

OSP can be a significant factor in developing a political climate favorable to their maintaining a continuing burden of defense over an extended period of time.

No. 279

740.5/8-453

Memorandum by Laurence C. Vass of the Office of European Regional Affairs to the Director of the Office (Moore)

SECRET WASHINGTON, August 4, 1953.

Subject: Programming the FY 55 MSP

A couple of weeks ago Livie[1] suggested that RA start thinking about the future of MSP, in the light of the prophetic debate in the Senate, where its staunchest friends called for its end this year. The object of our exercise is to obtain enough additional aid to complete the restoration of a viable economic base *and* some further defensive build-up in NATO. The difficulty is to accomplish this without perpetuating the symbol of a "give-away" program—MSA—and without requiring appropriations of a magnitude bearing an uncomfortable resemblance to the deficit.

The Senate debate makes one thing clear: a separate MSP bill providing for a separate *aid* administration is the target of the attack. The voiced opposition was to the continuation of an aid administration, not the fact of aid. Furthermore, the attack was on ECA type aid, not honest-to-god hardware, wherever procured. Senators Mansfield, Monroney and George indicated during the debate that they were prepared to support further military aid, if wrapped up in the right color of package.

Many strange bedfellows are currently found under the MSP blanket. We have funds both for bases in Spain and the Children's Fund. Few Congressmen would label Spanish bases in return for economic aid a "give-away". At the other extreme few in the Administration would make much of an argument to show a direct tie between funds for children and our own security. One solution to our problem is to create two distinct packages with contrasting ribbon colors and mailed from different post offices.

On the one hand we have a clear cut, homogeneous program which can be sold as being a dollars and cents investment in our own security—end-items to the deserving, who are allied, who may be expected to fight, and whose geography is important to our security. On the other we have the humanitarian, benevolent, and uniquely American offer of improvement of the lot of the depressed, the backward and the oppressed who chose the side of freedom. This is the alternative to armament offered by the President in his April speech; this is the long range solution to the weakness of the still free world. A program to meet this challenge is necessarily long range, unselfish, and above all, an instrument of psychological warfare. Each has its merits; each can be defended; put them together and they spell "give-away".

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[1] Livingston T. Merchant, Assistant Secretary of State for European Affairs.

As Livie was the first to say, military aid ideologically should be treated as part of our national defense budget. Otherwise we are being inconsistent. Why should Defense be paying for Korean and UN troops while MSP pays the bill for Indochina? Why is one a "give-away" and the other a direct drain, without accountability, on our defense budget? In war, there is no question that we would be desperately anxious to equip our fighting allies, without worrying about the "aid" label. Therefore, military aid should be defended as part of national defense, and perhaps be appropriated as part of our own defense budget. If a program cannot be tied directly to our own security and the free world's defensive strength, it should be put in the other package—a proudly labelled "give-away" program, justified as such, by a different sponsor, and for a different purpose.

While military aid should be defended as part of national defense, there are a number of man-sized bugs in the tempting proposal to make it a direct part of the Defense Department appropriation. These are:

1. Congressional leaders like a "package" bill for practical reasons. It consolidates commitments; it means only one leadership fight; it diffuses and neutralizes opposition.
2. It would require authorizing legislation for the Defense Department. This would be in the province of the Armed Services Committees, but clearly would also require sponsorship by Foreign Relations and Foreign Affairs. The certain wrangle and ensuing delays in Committee would not be helpful.
3. It would require legislation to limit Defense's authority to program and allocate these funds. There are risks in relying upon what Congress will do for us in this field, and this somewhat undermines our ideological approach, unless perhaps the powers (which could be delegated) are lodged in the Commander-in-Chief.
4. It makes the "give-away" program a sitting duck, with Congress loaded with high velocity, budget balancing shells.

So much for ideology. How much do we have to have next year for military aid, bearing in mind that the scenario calls for a decline each year, and neglecting any built in "padding" against cuts? On the other hand, we must accept the hard fact that the value of military aid may be accepted by the Congress, but its cost in an election year could easily postpone its purchase. There must be ways of reducing both the real and apparent costs. This is certainly true if we follow the logic of our presentation.

Once it's all one budget, what's the logic of storing in this country 12 or 24 months' war reserves for all our reserve forces and perhaps 6 to 12 months' reserve in Europe for our 7 divisions there when the absence of reserves for our allies probably would mean that we would abandon our reserves and run for the Pyrenees when the balloon goes up? If war comes, we will be desperately trying to get reserves to our erstwhile allies in the hope we can keep them fighting on our side. Why not get authorization now for planning to make these reserves available in case of war? We have accepted a commitment to deploy 17 divisions in Europe by M+180. Couldn't we wipe out the defeatism of Van Vredenburch and many others by assuring the common availability of reserves in case of war, if they will provide the necessary LOC, storage, etc. in peacetime, the U.S. maintaining title meanwhile? By such a deal, we could wipe off the books many billions of the gap caused by reserves which has everyone so scared. If, as I suspect, Defense is actually stockpiling several times as much as our own rates require for 90 days of combat, surely we can then count on Gruenther to bring the higher SHAPE rates down to the point where the reserve requirements of the central front could be wiped off the monetary books, without the appropriation of any more money.

Again, if it's all for our defense, why should our allies be eligible for bargain basement rates only on "excess" stocks? Why not reserve stocks, since their reserves are our reserves. Up to now, Defense has been rooking little MSP, to use a polite phrase. Matériel which the services have no intention of using, short of a catastrophic emergency, is conveniently rehabilitated for MSP but charged at the full cost of a new item which then goes to the service.

A possible answer to this is to liberalize the "excess" policy. Under the original plan, we had hoped that MDAP equipment could come as a by-product of the mobilization base policy. To the extent that we must produce more than required by our own peacetime attrition, to that extent we can deliver without charge to our allies. While this rosy dream has paled, it is still true that we may exceed our reasonable requirements in many items, because of miscalculation or obsolescence. The M–47 tank may be a case in point. In any event, a decision by the President to lower our own reserve levels here, or to declare MDAP models obsolescent for U.S. use, could make it possible to obtain a couple of billion dollars worth of perfectly usable equipment for our allies at about a $400,000,000 price tag. In an election year, that sounds good.

Suppose we could do this. How little could we ask of Congress in order to obtain the necessary hardware to meet the time phased needs of our allies? First, there is annual attrition. At a guess, this would cost no more than a half a billion, counting on a liberal interpretation of "excess". More important is OSP, so far as reassurance to our allies is concerned. FY 55 money won't affect their dollar balance of payments position until '56 and '57. Except as an indicator of the Administration's intention to cope with the longer range problems of the dollar gap, maintenance costs, and the creation of a European maintenance base, the OSP program could well be sacrificed on the altar of the election year budget. But because of these effects, it is essential that the Defense budget contain an OSP section, complete with Buy American exemptions, etc. Given the $2 billion in orders already placed, and the billion we should place out of FY 54 funds, I would venture a guess that only $½ billion need be requested next year for new OSP.

The balance of the aid program for NATO would consist of funds for a few new support units, war reserves, and whatever requirement develops for Germany as a result of ratification prospects. It is improbable that new funds will be needed to match the likely German build-up. On the contrary, it may be possible to offset this year's cut in part by reprogramming the deliveries already scheduled this year for German forces. At a guess, we might ask for another half billion of new money for build-up. The total request would then be $1½ billion—less than half of the total the Bureau of the Budget planners are currently conceding for '55 MSP military aid for all titles.

If it is decided to include military aid in the Defense appropriation, the decision as to allocation among countries, and OSP, should be left to the President. Under such a setup, the necessary coordinating machinery to insure that adequate allocations from past as well as new money are obtained can be created by Executive Order. Presumably, Congress will wish to lay down certain criteria for eligibility but I would hope that there would be no breakdown by titles. Preferably, there would be no ceiling on the amount of OSP out of the total. It would be highly desirable to provide for transferability between the Service sections and the International section of the Defense bill. There are few better gestures we could make in the politically sensitive area of "burden sharing" than such an indication of flexibility in the U.S. contribution. Furthermore, providing permanent authority for defense to dispense military aid would be a helpful offset to our inability to appropriate beyond one year.

An unavoidable consequence of this approach is the abandonment of transferability between military and economic aid. Nothing has caused more suspicion of our "defense support" rationalization. Anyone can see that we've obtained one for one or less for our transfers to economic aid, despite MSA's glorified presentation charts. Of course, France must remain a case for special OSP. What might be most salable is a straight military aid allocation for the Associated States, accompanied by a presentation indicating our intention of procuring the necessary half of the matériel in France.

Given the driblets of economic aid we have available to hand out this year, our remaining clients will be either weaned or starved by next year. I personally favor starting the weaning process immediately, so that they will savour the green pastures of self-reliance and OSP next year.

On purely economic grounds, I understand that only U.K., Turkey and Yugoslavia really need economic aid this year. U.K. prospects depend upon the success of her own policies, the yet to be formulated U.S. trade policy, and OSP. She might as well be told now (she already knows) that there is no prospect of direct dollar aid for next year. By using the McClellan Amendment [2] instead of defense financing this year, we can smooth the way for the inevitable.

Given the present change in the East–West climate, I personally consider that it would be politically unfortunate in NATO to continue "defense support" aid for Yugoslavia if we end it for our democratic allies, as I think we should. I find it hard to believe that recent events have not demonstrated that the threat from the satellites is one Yugoslavia can be expected to handle, if we continue military aid. On the other hand, we could hardly pin our case on the threat that the withholding of $30 or $40 million of economic aid would swing Tito into the Russian orbit. In any event, if they really need economic aid next year, we should make every effort to meet their minimum needs through surplus provisions or French type OSP rather than perpetuate the label of "defense support".

Turkey presents an apparently insolvable problem. As long as we sponsor her overly ambitious military program we are dragged into paying her overdrafts at the EPU bank. If all I hear from Embassy Ankara is true, they will fight even harder without aid, allies, shoes or any other impedimenta of the modern army. I would be inclined to stop at what a liberalized "common use" policy under military aid will provide, and let the JCS come up with a force basis consistent with Turkey's shorter term capabilities.

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[2] The amendment to the 1953 Mutual Security legislation introduced by Senator John D. McClellan (D.–Ark.) provided for additional U.S. financing of the program through a revolving currency plan which permitted recipient governments to exchange their currencies for U.S. dollars in order to then purchase U.S. farm surpluses. The United States, in turn, would use the foreign currencies received to finance offshore procurement.

If, therefore, we can foresee the end of "defense support" for NATO countries next year we should administer this year's funds in such a way as to point the program in this direction. Unquestionably there will be heavy pressures next year to use an aid program as a vehicle to dispose of surpluses. Since we wish to discontinue "defense support" I would strongly urge the necessary grants for Europe under the McClellan Amendment rather than defense support. I would accompany this with a "tough" policy in granting any residual defense support aid. It would be very nice to be able to transfer some part of the available $220 million to build up the OSP funds. A "reverse" transfer would be a dramatic indication of the shape of the future.

The "foreign aid" bill which would emerge as a companion piece to the defense appropriation should contain no programs linked to military effort. It would contain our various multilateral programs, such as UNKRA and Palestine Relief, our unilateral programs for CARE, migrants, etc., and our long range permanent TCA. To a considerable extent such programs can be financed through counterpart resulting from the gift of surplus agricultural commodities. The relatively large India-Pakistan economic development program is such an example. The program should be designed in this way and we should exploit to the full the extra appeal of such an approach.

I conclude on a happy note. Such a permanent program should certainly be sponsored by and administered by State. Since we can also play the role as claimant for our allies in the military allocation machinery, the continuation of the unpopular "aid" administration need not be requested.

No. 280

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Current Economic Developments

[Extract][1]

SECRET
[No. 420]

WASHINGTON, August 11, 1953.

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Analysis of Provisions of Foreign Aid Legislation

Just before adjournment of the first session of the 83rd Congress, three bills were passed which provide for foreign aid. One was the Mutual Security Appropriation Act, 1954; a second was the supplemental appropriation bill which, in accordance with the President's request, provided for $200 million for Korean relief and rehabilitation out of savings in defense funds resulting from cessation of hostilities; and the third was an emergency famine relief bill which authorizes the President, within certain limitations, to furnish agricultural commodities held by the Commodity Credit Corporation to countries suffering from famine.

Mutual Security Appropriation The appropriation in the foreign aid bill totals $6.6 billion, of which approximately $4.5 billion is new money and $2.1 billion represents unobligated balances remaining from previous appropriations which may be used in the 1954 program. The breakdown of the program, as finally passed, follows:

	New Funds	*Unobligated Balance*
Military Assistance		
Europe	$1,860,000,000	$1,311,977,003
Near East and Africa	270,000,000	312,713,221
Asia and the Pacific	1,035,000,000	256,843,411
American Republics	15,000,000	50,723,170
Total Military Assistance	$3,180,000,000	$1,932,256,805
Mutual Defense Financing		
Europe	$220,000,000	$115,706,906
Formosa and Indochina	84,000,000	17,821,596
UK NATO Aircraft Production	85,000,000	—

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[1] The sections not printed deal with the termination of U.S.-Indian aviation consultations and the incipient signing of a U.S.-Venezuelan air agreement.

	New Funds	*Unobligated Balance*
French NATO Military Production	85,000,000	—
Indochina Force Support	400,000,000	—
Total Mutual Defense Financing	$874,000,000	$133,528,502
	$50,000,000	—
Mutual Special Weapons		
Technical Assistance		
Near East and Africa	$33,792,500	—
Asia and the Pacific	51,278,001	10,821,999
American Republics	22,342,000	—
Total Technical Assistance	$107,412,501	$10,821,999
	$19,000,000	—
Basic Materials Development		
Special Economic Assistance		
Arab States, Israel and Iran Dependent Overseas Territories—Africa	$147,000,000	—
Palestine Refugee Program	—	$44,063,250
India and Pakistan	75,000,000	—
Total Special Economic Assistance	$222,000,000	$44,063,250
Multilateral Organizations		
Movement of Migrants	$7,500,000	—
Multilateral Technical Cooperation	9,500,000	—
International Children's Emergency Fund	9,814,333	—
Ocean Freight for Relief Shipments	1,580,166	$244,834
UN Korean Reconstruction Agency	50,700,000	—
Total Multilateral Organizations	$79,094,499	$244,834

While the total amount lacks about $670 million of the Administration's reduced appropriation request, it is considerably more than the original figure passed by the House, and it is generally considered that the funds appropriated are adequate to do an effective job.

Reaction Abroad to Cuts During Congressional consideration of both the authorizing and appropriation legislation, considerable concern was manifest abroad about inadequate aid and about future US aid plans. This was compounded in Europe because of the amendment in the House version of the authorizing legislation which provided that not less than 50% of the funds authorized for military assistance to Europe in fiscal 1954 be made available only for the European Defense Community. However, the bill as finally passed provides that 50% of the equipment and material procured from fiscal 1954 military assistance funds for Europe shall be transferred to the European Defense Community or to the countries which become members thereof, unless the Congress, upon presidential recommendation, provides otherwise. Thus, should EDC not come into being and should the President consider that conditions might nevertheless warrant release of equipment and materials earmarked for the organization, Congress would reconsider the provision. Meanwhile, orders for equipment and materials may be placed under these funds but delivery of the assistance will not take place until the organization is formed. Because of the time required between placement of orders and their manufacture and delivery, the amendment will probably not have an appreciable effect on most items for a year or eighteen months. Moreover, this limitation applies only to equipment and materials and not to training and other services. We have taken the position with the EDC countries that this provision should not cause concern to European countries but be regarded as US interest in European unity and in the effective defense of Europe.

As to concern abroad about future US aid plans, it is true the authorizing legislation did not extend the termination date of June 30, 1954 for the program as requested by the Executive Branch. However, the legislation did extend the terminal date for deliveries and liquidation to June 30, 1956 for economic assistance and to June 30, 1957 for military assistance and issuance of investment guaranties. Termination dates are elements of US legislation and do not necessarily imply future US policy. The June 30, 1954 date was maintained, according to the conference report, not because it was believed that all forms of assistance to other nations would finally terminate on that date, but because it was considered necessary that there be a basic overhauling of the legislation dealing with foreign aid before that date.

The cut in multilateral technical assistance, while not large in size, is especially serious because of its probable impact on a highly-regarded UN program and because it is damaging to US prestige in the United Nations. The Administration had requested $13,750,000 for this purpose for fiscal 1954 and $4,595,812 as a supplemental appropriation for 1953. We had pledged the latter amount for the 1953 UN program, making the pledge contingent upon Congressional appropriation of funds. As finally passed, the bill appropriates only $9,500,000 for fiscal 1954 and eliminates entirely the supplemental appropriation. The cut came at an extremely bad time as the Economic and Social Council was convened in Geneva, where news of this reduction in one of the UN's most successful programs spread like wildfire. Moreover, it came immediately after announcements by the USSR and Polish delegates that, for the first time, their governments would make a contribution to the UN technical assistance program. In view of the legislative history, it may be possible to fulfill the 1953 program and for the Administration to request a supplemental appropriation for the amount authorized but not appropriated.

Transfers of Funds The authorizing legislation permits the President to transfer up to 10% of the total of funds for military assistance and defense support in Europe from one of these purposes to the other in that area, and to transfer 10% of the funds available for military or defense support and technical assistance in any one area to other areas to be used for the same purpose. Balances of prior appropriations may be included in the base on which such percentages are computed. The President is authorized to use $100 million anywhere for any purpose, if he determines that such use is important to the security of the United States, provided no more than $20 million is used for any one country.

Surplus Agricultural Commodities Section 550 of the act provides that not less than $100 million and not more than $250 million of any mutual security appropriations for fiscal 1954 should be used, directly or indirectly, to buy surplus agricultural commodities. Legally it is possible under this provision to use military end-item funds as well as economic assistance and defense-support funds. The Mutual Security Appropriation Act requires that, of this amount, at least $100 million come from funds other than those authorized by Section 541 (economic assistance and defense support in Europe, Formosa and Indochina). Agricultural commodities sold under this section should not displace or substitute for "usual marketing of US or friendly countries" to that country. The commodity would be sold to the country for local currency and, to the extent practicable, at maximum market price. Local currency funds thus received would be put into a special US account to be used in specified ways, with particular regard being given to use for military assistance, loans for increased production of items including strategic materials, grants to increase production for domestic needs, and purchases of materials needed for stockpile in the US, and goods or services that could be used for assistance to third countries.

Meanwhile, in a separate piece of legislation, Congress authorized the President to furnish emergency assistance to friendly countries in meeting famine or other urgent relief requirements, by using agricultural commodities which have been accumulated by the Commodity Credit Corporation under the domestic price support program. This aid may also be furnished to friendly, needy populations, without regard to the friendliness of their government, provided the commodities will be so distributed as to relieve actual distress among such populations. Such aid is limited to $100 million and the time limit for such programs is set at March 15, 1954. The cost of ocean transportation of such products will either be borne by the receiving country or come from its share of MSP aid.

Interagency discussions are now going on as to the implementation of both the legislation for emergency famine assistance and Section 550 of the Mutual Security Act.

Other Provisions While the Benton and Moody amendments [2] of previous foreign aid bills are omitted in the new legislation, the conference report reiterates the principles of the Benton amendment. It states that it is the policy of Congress to encourage the efforts of other free countries in fostering private enterprise, in discouraging monopolistic practices, and in the strengthening of free labor unions, and to encourage American private investment abroad.

Section 105 of the appropriation act provides that none of the funds nor any of the counterpart funds generated as a result of assistance may be used to make payments on the debts of any country, nor shall any of these funds be expended for any purpose for which funds have been withdrawn by any recipient country to make payment on their debts. This will be particularly relevant to Israel, where, in the past, mutual security funds have been used for refunding purposes.

The same section also provides that after September 1 none of the funds shall be used to make up any deficit to the European Payments Union for any nation of which a dependent area fails to comply with any treaty to which the US and such dependent area are parties nor shall any of the counterpart funds generated as a result of assistance under the act be made available to such nation. This was aimed at the problem which exists between the US and France with respect to treaty rights in Morocco. While it does not have any effect on funds that are already obligated for aid to France, it may affect counterpart generated by fiscal year 1953 funds in the event that some of the funds already in the pipeline are de-obligated and re-obligated. The Foreign Operations Administration still has not decided on the effect of this provision on counterpart funds and has requested a legal opinion from the Department on the treaty problem in Morocco.

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[2] See Document 263.

A shipping provision in the appropriation act requires that insofar as practical steps should be taken to assure that at least 50% of the gross tonnage of commodities, procured within the US out of funds made available under the act and transported abroad in ocean vessels, is transported on US flag vessels to the extent such vessels are available at market rates.

The investment guaranty program was broadened in the hope of stimulating greater investor participation. The terms were extended to 20 years and guaranties can be made in countries not otherwise participating in the mutual security program. Such guaranties may be issued until June 30, 1957.

No. 281

740.5/8-1753

Memorandum by Thomas C. Schelling of the Office of the Director of Foreign Operations to the Deputy Director for Operations of the Foreign Operations Administration (FitzGerald) [1]

CONFIDENTIAL [WASHINGTON,] August 20, 1953.

Subject: FY 1954 Programming

This memorandum summarizes the programming guidelines for FY 1954 with respect to MSA programs, developed at the meeting conducted August 17, 1953 by the Director of Foreign Operations.

Europe: Economic Aid Programs

MSA will develop, in coordination with the State Department, programs for mutual defense financing in Europe within the amounts appropriated for that purpose, plus carryover, plus additional funds to be administered under Section 550 as described below. These programs will be subject to the following guidelines:

1. The East German food program in the amount of $15 million will remain a charge against Title I economic aid funds. The General Counsel is, however, being simultaneously requested to consider urgently whether part of this program can be financed under the Famine Relief Act.
2. The Technical Assistance Program will amount to $15 million; an additional $3 million will be held in reserve for possible increase in this program to a total of $18 million.
3. An Information Program of approximately $7 million has been discussed. Dr. FitzGerald is to consider this program further and make a recommendation as to the exact amount.

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[1] Copies to Stassen, Nolting, Nash, Ohly, Murphy, Paul, and to TCA, Treasury, and the Bureau of the Budget.

4. Total assistance to the United Kingdom will be $200 million. Of this, $85 million is separately appropriated for the aircraft program. Of the remaining $115 million, an amount of from $40 to $65 million will take the form of defense support, and an amount of from $50 to $75 million will take the form of surplus agricultural commodities administered under Section 550.

5. The program for Germany/Berlin (exclusive of the East German food program) remains as originally programmed at $15 million. The specific objectives and composition of this program have not been determined. Recommendations for the use of these funds will be worked out jointly between the Deputy to the Director for Operations and the Assistant Director for Refugees, Migration and Travel in coordination with the State Department.

6. In the event the surplus agricultural commodities program for the United Kingdom does not reach the upper limit of $75 million mentioned above, the difference for the United Kingdom is to be made up with defense support; and surplus commodity programs for other European countries may be developed, to meet defense support and economic aid objectives, up to a total of $75 million of such programs inclusive of the program for the United Kingdom. It will be assumed that surplus agricultural commodity programs in Europe, other than non-UK programs within that $75 million, will be used to meet objectives of the Title I military assistance program, not economic aid and defense support objectives in Europe.

7. Assistance to France out of funds available for mutual defense financing in Europe will be limited to the specific amounts appropriated, namely $485 million of which $400 million is to support the campaign in Indochina and $85 million is to finance certain types of equipment for French NATO ground forces.

8. It should be assumed for planning purposes that the several Spanish agreements will be signed and become effective on or about October 1, 1953, and that any further obstacles in developing and implementing Spanish programs will be no different from those encountered in initiating programs in any new country.

9. The Defense Department has under review the question of devoting further funds (including the $37.5 million of unobligated MSA funds specifically carried over for this purpose) to the Italian aircraft program. MSA should simultaneously consider with the Defense Department the techniques by which the $37.5 million will be furnished if a decision to give such assistance is reached.

10. MSA may recommend holding in reserve at this time some portion of the funds available to it for European programming. It should be assumed that the total of funds available for this purpose will be neither augmented nor reduced by transfer.

MSA should review counterpart procedures in light of Congressional attitudes (particularly as expressed in the report of the Senate Appropriations Committee) and make recommendations to the Director as to whether and how such procedures should be revised, with particular regard to the release of funds on a project by project basis.

MSA, in coordination with the Department of Defense, should develop and recommend procedures for administering the special defense financing for France/Indochina, for French ground force equipment, and for British aircraft. MSA should also, in consultation with the General Counsel, recommend procedures governing the use of local currencies in the United Kingdom arising from the surplus agricultural commodities program for that country.

A series of additional programming and administrative matters resulting from new legislation or expressions of Congressional intent are being either considered by the Director or studied by the General Counsel.

[Here follows a discussion of Fiscal Year 1954 programming for the Far East and the African Dependent Overseas Territories; for text, see volume I, Part 1, page 639.]

THOMAS C. SCHELLING

No. 282

740.5 MSP/8-2453

Memorandum by Robert G. Cleveland of the Office of European Regional Affairs to the Director of the Office (Moore)

SECRET WASHINGTON, August 24, 1953.

Subject: Economic Aid Prospects of European Countries in FY 1954.

1. The aid situation is still very fluid, but the following is a guess as to the way the overall distribution may work out. Gov. Stassen proposes to make about $75 million available for European country programming under Section 550 out of Title I Military funds. $223 was the Sec. 541 appropriation. String attached to use of Section 550 funds is that local currency proceeds must be used for OSP purposes. This is a tentative balance sheet:

Assets		*Liabilities*		
Section 541	$223	East German Food	$15	
Section 550	75	Information Agency	7	
	——	T.A.	18	
Total	$298	U.K.	115	(50–60: Sec. 550)
	——	Austria	0	
		German Refugees	15	
		Italy	20	(Possibly Sec. 550)

Assets	*Liabilities*		
	Greece	20	
	Turkey	50	
	Yugoslavia	45	
	Spain	8	
	Total	$323	[*313*]

You will observe a deficit of $25 millions. This could probably be covered by (a) reducing the UK by that amount, or (b) spreading the reduction among several programs, including the TA program, German refugees, Greece, Turkey, and possibly Italy.

2. The following is a run down of '54 economic aid possibilities for the various countries:

Austria.

The B/P and reserve situation continues favorable, and barring some action by the Soviets (i.e. denial of Soviet Zone oil or some similar action), Austria should not receive aid this year. Austrian Government has requested some $40 million aid, but it is poorly justified, and not recommended by our Mission.

Greece.

In view of large pipeline and improved economic prospects, need for aid on economic grounds seems doubtful. However, in view of earthquake, and importance of providing political support to pro-US Government, NEA is likely to insist on continuance of some aid this year.

Turkey.

The maintenance of proportionately very large armed forces while continuing a heavy investment program makes it desirable that Turkey receive substantial aid this year.

Yugoslavia.

Final aid figure seems to be almost certain to be firmed up at $45 million, of which at least $15 million will be in surplus agricultural commodities.

United Kingdom.

At the April meetings in Paris, [1] we told the British that we would try to get them $200 million from Congress. We succeeded in getting about $155 million ($85+$70). The country team believes this amount would be accepted by the British as effective fulfillment of the April commitment. However, Gov. Stassen appears to take the line that this shortfall should be made up by applying military funds under Section 550. If surplus commodities can be programmed and if local currency proceeds can be used for OSP, this may be an acceptable position. (See Levy-Hawes' Memo re Plan K. [2])

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[1] For documentation on the Eleventh Session of the North Atlantic Council at Paris, Apr. 23-25, 1953, see vol. v, Part 1, pp. 368 ff.

Germany.

The East German food program may not ever require the full $15 million originally programmed, although many tentative plans are being made fully to utilize this sum. The Refugee program, tentatively tagged at $15 million, is far from firm as to how the funds would be used. In addition, the Berlin investment program could require some 1954 funds, although this is not likely.

Italy.

There appear to be strong political reasons for continuing aid to Italy at about $20 million this year. At least part of the aid could be in the form of surplus cotton.

Spain.

In addition to the $75 million carry-over, we appear, because of Congressional history, and Spanish expectations, bound to grant an additional $8 million to Spain this year (if agreements are signed).

TA and Information.

Gov. Stassen has proposed $18 million for TA this year, which seems somewhat high, although it is a roughly proportionate cut from the illustrative figure. The $7 million for the information program is to be transferred to USIA, and is a matter over which State appears to have little control.

France.

All aid for France this year is tied directly to IC except for $85 million production assistance for French NATO forces, $400 million is in the Act plus another $100 million or so concealed in Title III Military. Any requirements in addition to these will have to be met largely from Title I Military. [3]

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[2] For documentation on Plan K regarding jet fighters for the United Kingdom, see Documents 426 ff.

[3] The last sentence of the memorandum which reads "I gather that the present thinking on the administration of additional aid would be to operate on the same basis as the $400 million, after appropriate consultation with Congress" is crossed out and the following handwritten sentence substituted: "Presumably, any additional aid must be administered under section 303, where we have greatest latitude (thanks to China bloc!)".

No. 283

700.5 MSP/9-1853

Memorandum of Conversation, by Christopher Van Hollen of the Executive Secretariat [1]

SECRET WASHINGTON, September 8, 1953.

Subject: Preliminary Discussion of FY 1955 Aid Program for NATO and European Countries

Participants:		
	The Secretary	Mr. Nolting
	Mr. Matthews	Mr. Reinstein
	Mr. MacArthur	Mr. Bonbright
	Mr. Bowie	Mr. Moore
	Mr. Merchant	Mr. Vass
	Mr. Waugh	
	Mr. Kalijarvi	

Basic Approach

Mr. Moore opened the discussion of the FY 1955 Aid Programs for the NATO and European countries by pointing out the necessity to undertake certain fundamental changes in the basic approach to such programs. Congressional debate on the FY 1954 programs had emphasized the pressure on the Hill to cut the amount of aid and to get away from "giveaway" programs. This was particularly evident in the case of the programs in Europe since such programs had been underway for a long period and, therefore, Congressional sentiment favored putting pressure on the European countries to find ways by which they could reduce the amount of aid. On the other hand, despite the strong sentiment for a reduction in aid, there was a real need for continuation of sizable amounts of assistance in some form, especially end-item assistance.

Mr. Moore said that the level of NATO programs had reached the point at which primary consideration should now be given to qualitative improvement. It was felt that ways must be found to so adjust the programs that proper account could be taken of recent developments, such as new weapons and the recent moves on the part of the Soviets. It was most important, however, that the programs not be reduced to the point where other countries would feel it unnecessary to continue their build-up efforts because, if this occurred, there would be a downward spiral in the European defense effort. Therefore, while it was necessary to change the form of aid, considerable end-item assistance should still be continued and strong efforts made to work out new approaches to the balance of payments problem. There were, of course, specialized situations such as those in Spain, Yugoslavia, Greece and Turkey which could not be provided for solely through the customary form of end-item assistance and, for this reason, special techniques adaptable to these individual problems would have to be devised.

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[1] This was one of a series of meetings called by the Secretary of State "to discuss in general terms the overall aid picture for FY '55". (Memorandum by Walter K. Scott, Director of the Executive Secretariat, to the Acting Secretary, Sept. 18, 1953; 700.5 MSP/9-1853) For documentation on those meetings dealing with the Middle East and the Far East, see vol. I, Part 1, pp. 643 ff.

Mr. Moore explained that the present thinking was along the following lines: (1) The funds for the FY 1955 aid programs would be carried as part of the Department of Defense budget and justified as part of that budget on the grounds that such assistance was being provided for the defense of the United States; in other words, although such aid was being sent our allies, this aid would actually be considered as an integral part of the U.S. defense effort. (2) The continued utilization of end-item assistance would provide a multiplier effect in that it would cost less to equip a foreign soldier than the cost of equipping a U.S. soldier under the same conditions. (3) If possible, transfer provisions should be included in the Defense Department budget. Thus, MDAP assistance could be carried as a fourth category in the Defense budget—the other three categories being the budgets of the three services—and a certain degree of interchangeability maintained between these four budgets. Our European allies would then feel that we were in a position to make necessary budgetary adjustments between our own defense burdens and their defense burdens as changing situations required.

In conclusion, Mr. Moore foresaw two general problems in connection with the new approach. First, it might give the Defense services too great control over funds which had previously been justified and administered separate from the regular Defense budget. Second, there was the problem of ensuring enough flexibility to deal with programs, such as Greece, Turkey and Yugoslavia, which required some type of common use programs, and the special case of Berlin.

End-Items for Europe, Greece and Turkey

Mr. Vass circulated a memorandum containing a breakdown of the projected end-item programs for Europe and Greece and Turkey, OSP for Europe, and possible non-end-item program requirements. (See Annex) After a brief discussion of certain detailed points relating to this memorandum, the Secretary asked how the projected programs, as set forth in the memorandum, compared with the appropriations for the present year. Mr. Vass replied that approximately $2.2 billion new funds had been appropriated for end-items in FY 1954, in addition to the $1.5 billion in unobligated funds carried over. On the other hand, the new money which was being tentatively suggested for FY 1955 amounted to $2.5 billion, or $3.0 billion, depending upon the prospects for a rapid German build-up. Mr. Vass stated that he did not think there would be any unobligated funds next year. Therefore, the new money requested would amount to practically the same, or only slightly more than the present appropriations, but substantially less than the sum of new money plus carry-over this year. Furthermore, the $190 million set aside for possible non-end-item programs requirements would be included under the over-all end-item figure. As a final point, Mr. Vass pointed out that in FY 1955 none of the $1.2 billion for the Indochina war should be treated as part of the European program, but instead, should be carried in the Defense budget as the cost of the U.S. contribution to the war in Indochina. Mr. Merchant added that, under the projected FY 1955 programs, with the exception of Berlin, it would be possible to say that economic assistance to Europe was being eliminated provided it were recognized that there was a liberalization of the criteria in the case of three or four countries which would be receiving common use items.

In the case of the $60 million for Berlin which was being recommended as one of the possible non-end-item program requirements (see Annex), Mr. Merchant explained that this program was in a different category from other programs such as those for Greece and Spain in that $30 million was to be allocated to the emergency work program, while the remaining $30 million was to be allocated for the investment program in Berlin. The allocation of $60 million for Berlin was not for dollars but for Deutsch-marks and an effort should be made to persuade the Bonn Government to put up the necessary amount of money to carry the full burden. However, if we were unable to convince the Germans to assume this burden, we should then attempt to obtain the necessary funds from Congress.

European Economic Picture

The Secretary remarked that he had recently received the impression that the economic situation in Europe, including the European dollar picture, had improved. Mr. Merchant agreed, pointing out that such improvement was particularly evident during the past few months and was caused in large measure by the influx of tourists, military expenditures and OSP contracts. Part of the improvement could also be attributed to restrictions on dollar imports. Mr. Moore commented that in spite of these improvements, there had not been an appropriate increase in the gross national product. As to Germany's financial condition, Mr. Merchant said that Germany's balance of payments picture was the best in

Europe and, actually, the combined dollar reserves of Japan and Germany were comparable to the reserves of the sterling bloc area.

German Build-up

Turning to the question of the German build-up, Mr. Reinstein pointed out that the parenthetical figure of $1 billion (see Annex) was considered necessary to equip 12 divisions. Since we have so far provided funds for only six divisions and part of the aircraft build-up, it appeared to Mr. Reinstein that provision should be made in FY 1955 for the build-up of the entire 12 divisions. Mr. Bowie said that it would be desirable to discover precisely what funds were now available for the German build-up and what equipment was actually available. A good analysis was needed of the extent to which the U.S. would be expected to contribute to the German build-up since it was now extremely difficult to obtain definite figures from the Department of Defense. As a result, there was a cost range of as much as $5–$10 billion. Mr. Merchant concurred, saying that it was difficult to pin down those items which have been allocated for the German defense build-up since equipment was not stamped "MDAP" as it came off the assembly lines and, therefore, the Army was able to shift items around according to its current needs, such shifts making accurate accounting difficult. The Secretary said that he understood that Defense had $1 billion of end-item equipment stored in depots in Europe. Mr. Nolting said that the closest figure he had obtained was $300 million and Mr. Reinstein added that Defense had told Congress that $1.3 billion, which had already been appropriated, was to be used to equip German forces. The Secretary felt that it should be possible to obtain an answer to the direct question of whether or not there was $1 billion of equipment stored in depots in Europe for the German build-up.

Secretary's General Reaction

Asked by Mr. Merchant as to his reaction to the FY 1955 European and NATO aid program which had just been presented, the Secretary replied that, on the whole, it appeared reassuring. Nevertheless, he was still scheduled to hold a meeting with the Latin American group, [2] after which it would be necessary to put all the programs together, such a consolidation being required prior to October 1. The Secretary said that he, of course, did not know how the various program totals would add up, remarking that NEA seemed to have presented higher figures than the previous year.

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[2] See the memorandum of conversation, by Edward G. Cale, Oct. 2, 1953, vol. IV, p. 197.

1955 MDAP Appropriations in Defense Budget

Returning to the question of placing the FY 1955 Aid programs in the Defense budget, Mr. Nolting pointed out that such programs could be handled in one or two ways: (1) either through the establishment of a subsection in the Defense budget setting up a little MDAP program; or (2) lumping all such programs together and then working out the allocations between areas. One of the dangers of using the lump sum method was that there might be a temptation to use excessive funds in the so-called "hot" areas to the disadvantage of other areas. Mr. Merchant emphasized that, as a concomitant to putting the MDAP programs in the Defense machinery, it was important to ensure that a strong coordinating body including civilian agencies be established in order to protect the MDAP programs against the claims of the Defense services. Such machinery must be established at the top of the Defense Department in order to insure complete protection to these expenditures. The Secretary said that he was also disturbed about the lack of flexibility which might obtain under such an arrangement. Pointing out that there is now a fairly large degree of flexibility, for example in the cases of Iran and Indochina, he asked whether it was likely that the MDAP funds would be frozen in the Defense budget. Mr. Matthews replied that the flexibility depended upon (1) the authorization and (2) the people involved in administrating these programs within the Defense establishment. Mr. Nolting said that the planned techniques for providing flexibility (see last section of annex) were quite good. The gift of surplus commodities would be particularly saleable to Congress and some flexibility was provided in Section 513(b) under which the President had discretionary power to transfer funds up to $100 million. It might be possible to attempt to raise this figure and to leave the transfer functions in the President's hands.

The Secretary said that, while it was recognized that those who would be responsible for the programs should also be responsible for their justification, he wanted to insure that necessary flexibility was not lost and that the programs were not subject to raiding by the armed forces. After brief discussion as to what office within the Department should prepare a study on this subject, it was agreed that Mr. Nolting would undertake the preparation of an analytical study of the feasibility of including the FY 1955 MDAP appropriations within the Defense Department budget. The Secretary stated that he wanted to obtain the Department's thinking on this subject before talking with Mr. Stassen and, for that reason, it was advisable that the study be made solely from the State Department point of view without advance consultation with FOA.

In conclusion, the Secretary said that it seemed evident that a large part of the programs which related to military aid could not be covered by new appropriations for another year unless Congress could be convinced that such programs were not State Department "hand outs". Mr. Kalijarvi agreed, adding that a number of Senators had evinced a strong desire to conclude "giveaway" programs and that they looked forward to the day when the FOA went out of operation.

[Annex]

Memorandum by Laurence C. Vass of the Office of European Regional Affairs

CONFIDENTIAL

FISCAL YEAR 55 AID PROGRAM

Basic Assumptions

1. NATO build up nearly over. Must emphasize qualitative improvement while work on problem of reducing requirements.

2. 53 AR will result in few additional units in 55 goals, except for Germany (if EDC ratification probable before July).

3. This creates over-funding problem, since will start FY 55 with at least $8 billion in pipeline.

4. Europe will have no $ balance of payments problem in FY 55, as result of extraordinary military expenditures in FY 54 of over $1 billion, and about $1.5 billion in FY 55.

5. IC must be treated as part of "hot war" in Far East. France constitutes only serious budget supporting problem likely in FY 55.

End Items for Europe, Greece and Turkey

Priority		*($ millions)*
1. Maintenance existing forces (including $150 million infrastructure)	$750	
2. German build up	500	(1,000)
3. Build up NATO support units	500	
4. Spain ($60), Yugoslavia	250	
5. NATO war reserves	500	
	2,500	(3,000)

End Items for Europe, Greece and Turkey—Continued

	($ millions)
OSP for Europe (out of total)	750
Possible Non End Item Program Requirements	
Berlin work relief and investment	$60
East Germany food	15
Yugoslavia	40
Spain	25
Greece, Turkey	50
	$190

Techniques for giving budget support aid

1. Gift of surplus commodities, generating local currencies (Spain, Greece, East Germany, Berlin, Yugoslavia)
2. Liberalized common use item program (Spain, Greece, Turkey)
3. "Specialized Use of Funds" (Section 581*b*)
4. "Defense Support" (unnecessary)

No. 284

DMS files, lot W-1444, "FY 1955 Program Estimates"

Memorandum by the Deputy Director for Programs and Planning of the Foreign Operations Administration (Ohly) to the Deputy Director for Operations of the Foreign Operations Administration (FitzGerald) [1]

RESTRICTED [WASHINGTON,] October 6, 1953.

Subject: Development of FY 1955 Program—Economic Aid for Europe

I. Introduction

As you are aware, programs and estimates for the FY 1955 Mutual Security Program are due in the Bureau of the Budget on October 10. In addition, as indicated in my memorandum of October 2, [2] the President has called for a preliminary presentation of estimated expenditures for MSP during FY 1955 at a special National Security Council meeting on October 13.

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[1] Copies to Stassen and Hopkinson. The source text is the copy sent to Stassen.

[2] Not found in Department of State or Foreign Operations Administration files.

The objective of this memorandum is to set forth informally, for whatever assistance this may be in your preparation of European economic estimates for both of the foregoing purposes, a series of suggested assumptions, premises and guidelines. These suggestions have not been formalized in instructions because I believe that the general question of whether, and if so, in what amount and form, and for what purpose, further economic aid should be extended to Europe can best be approached by giving your European programmers the maximum possible latitude—freedom to reject any program at all or to develop an entirely new program that represents an imaginative and constructive approach to those problems of Europe toward whose solution aid in one form or another might make a significant contribution.

In developing the foregoing programs and estimates, and in preparing the supporting materials therefor, I believe that it would be desirable if the question of aid could be considered and presented as part of a much broader approach to a solution of the major problems which affect U.S. economic relations with the rest of the free world generally and, more particularly, with Europe. Thus I would also hope that the program submission might deal, among other things, with the question of increasing private investment, the extension of credits through the public lending institutions, the development of greater European unity, the continued expansion of the European economy, etc., and with the way in which such factors might be affected by, or affect, any program suggested.

II. General Guidelines

In developing an FY 1955 economic, defense support, technical and/or mutual defense financing aid program for Europe, I suggest (recognizing that some of them are perhaps trite and self-evident) the following general assumptions, guidelines and premises for your consideration.

A. The program for Europe (as the program for all areas) should further to the maximum extent possible with the level and type of resources likely to be made available by the Congress, the attainment of U.S. foreign policy objectives in Europe as these objectives are reflected in current NSC documents or in the latest available redrafts of such documents as, for example, in the prospective German paper. (There is a tendency, once an NSC paper has been adopted, to forget its contents and in the development of programs, to ignore the policies which are therein stated. Therefore it is important when we are formulating programs for a new year to restudy these NSC papers very carefully.)

B. It should be assumed, as a general proposition, that aid of an economic or directly related character will be phased out almost entirely during FY 1955, except as follows:

(1) To the extent which may be required by major changes in (a) the European economic picture and/or (b) the general relationship of the free world to the Soviet bloc (power position, degree of tensions, etc.), none of which are apparent at the moment.

(2) Where special circumstances of the types described in E below can be affirmatively demonstrated as to any country and the treatment of those circumstances is of importance to the security of the United States;

(3) In the case of Greece and Turkey; and

(4) In the case of France, aid which is required to support the successful conclusion of the war in Indochina.

C. It should be assumed that $250,000,000 represents the maximum amount of new obligational authority that should be sought for all forms of defense support, economic aid and mutual defense financing for Europe during FY 1955 except such amount as may be needed for the conduct of the war in Indochina. It should also be assumed that the comparable figure for FY 1956 will not exceed $100,000,000.

D. It should be assumed that the implementation and completion of currently financed European programs of defense support and mutual defense financing, as well as any FY 1955 and 1956 programs which may be approved, will not be restricted or limited by any annual expenditure ceilings but that, on the contrary, aid will be phased in the manner, and pipelines will be held to the size which makes the most political and economic sense.

E. In general, no FY 1955 program should be developed or proposed for any individual country or group of countries, or for any functional purpose covering all or some part of the whole European region, unless one or more of the following conditions or circumstances can be adequately established:

(1) A country is presently encountering, or is about to encounter, a locally insolvable balance of payments problem of such severity that it seriously threatens the political stability of the country in question.

(2) The attainment or maintenance of force goals heretofore approved for a country for CY 1953, coupled with the continued qualitative improvement of such forces up to SHAPE or SACLANT standards, is dependent upon U.S. assistance to such country; or the extension of a moderate amount of U.S. defense support assistance to a country will have a very large multiplying effect in terms of the willingness and political and economic capacity of such country materially to increase its forces above already established force goals. (Except under the foregoing circumstances, the United States will not support with any form of economic aid, a force build-up beyond the level which can be sustained by a recipient country over a protracted period out of its own resources.)

(3) The extension of a moderate amount of assistance would eliminate or significantly decrease a country's reliance on the Soviet bloc for commodities or goods which are of such great significance to such country that (a) it is under strong compul-

sions to ship highly strategic things to the Soviet bloc or (b) it would face grave economic, political or military problems if the Soviet bloc was suddenly eliminated as a source of supply.

(4) A moderate amount of aid would, either because of its catalytic or psychological effect, have a very material impact on the attitudes or actions of people (a) behind the Iron Curtain; (b) in some peripheral country adjacent to the Iron Curtain, such as Finland, Germany and Austria, when it could be shown that the extension of assistance held real promise of either strengthening the capacity to resist active Communist efforts directed toward causing neutralism, disorder or defection or creating conditions which might have an extensive though indirect impact on the countries beyond the Iron Curtain, and/or (c) elsewhere.

(5) U.S. aid to a country is necessary in order to fulfill legal or moral commitments for further assistance thereto which have heretofore been made or in order to avoid a termination of aid which is so abrupt that, for either psychological or economic reasons, benefits heretofore derived from U.S. assistance might be partially dissipated.

F. In addition to programs meeting the criteria listed in E above, you are invited to submit any program of U.S. assistance in a moderate amount which you believe would make a really major and permanent contribution toward the solution of the long-term dollar balance of payments problem of the European countries, as by materially decreasing their reliance on dollar sources, by significantly increasing their dollar earnings, by greatly expanding their productive capacity, etc.

G. Any program proposed and any project recommended within a program should, to the extent that this is practicable, further as many as possible of the following general U.S. objectives:

(1) The liberalization of intra-European trade;

(2) The encouragement of Western European unity and integration;

(3) The encouragement of private investment and the creation of conditions favorable to such investment;

(4) The local mobilization of capital and its infusion into the under-developed areas;

(5) The fostering of an expanding European economy based on increasing productivity;

(6) A substantial and equitable defense contribution by each participant in the Mutual Security Program;

(7) Other objectives emphasized in Musto Circular Message #23, dated September 30, 1953.[3]

H. No aid program designed to meet current consumption needs will be included in the FY 1955 Mutual Security Program for Europe unless it can be justified in such special terms as (a) its direct psychological impact on an important group of people or (b) its essentiality in dealing with temporary or specialized relief or emergency situations, such as those involving escapees and refugees.

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[3] Not printed.

III. Specific Factual Assumptions

In developing an FY 1955 program for Europe, it is suggested that the following assumptions with respect to collateral facts or historical developments should be made:

A. The FY 1954 offshore procurement program will approach, but probably not fully reach, the level of $1 billion, exclusive of any special military support, Lisbon OSP, etc.

B. Offshore procurement in FY 1955 will probably not exceed $500 million, again exclusive of any special military support, Lisbon OSP, etc.

C. The European Defense Treaty will be ratified on or about January 1 and become fully operative by April 1, with the build-up of German forces commencing at about that time.

D. The payment of support costs by the Federal Republic of Germany will terminate in the case of the United States on June 30, and the annual rate of such payments will be halved in the case of the United Kingdom as of that date.

E. Business activity will continue at a high level in the U.S. and there will not be any significant recession. (Consideration should, however, be given to the potential effects of, and therefore to the desirability of any prospective safeguarding provisions in the foreign aid request against the contingency of, a moderate recession in the U.S. during FY 1955.)

F. There will be no substantial change during FY 1955 in U.S. international trade or tariff policy as this is reflected in current legislation, but reciprocal trade legislation will be extended for at least another year in substantially its present form.

G. The Austrian Peace Treaty will not be signed before the end of FY 1955. (The effect of an Austrian Peace Treaty on the requirements of Austria for further economic assistance should, however, be explored.)

H. There will be no general settlement with the Soviet Union covering either Berlin or Germany as a whole.

I. There will be separate aid progams covering the overseas territories of certain of the European metropolitan powers and such programs may aggregate perhaps $25 million. A moderate amount will also be provided, whether as part of country programs or separately, for the development of materials and commodities of great significance to, and which are in short supply in, the free world.

IV. Assumptions and Guidelines with respect to Specific Countries

The following assumptions, premises and guidelines should be taken with respect to specific countries:

A. *France*—There will be no FY 1955 program for France except insofar as it (*a*) is confined to technical assistance and/or (*b*) is directly related to the continuation and successful prosecution of the war in Indochina. With respect to the latter, it should be assumed that it will take a minimum of two more annual campaigns (the winters of 1954–55 and 1955–56) with forces of at least the size contemplated in the Navarre Plan to reduce Viet Minh opposition to manageable guerrilla proportions. It should also be assumed that the Associated States will be unable during FY 1955–57 to contribute substantially larger amounts than at present to the cost of financing the military effort required.

B. *United Kingdom*—Assistance, if any, to the U.K., should not exceed $75 million in the aggregate and, if extended at all, should probably be related to the encouragement of aircraft production in the U.K.

C. *Spain*—In consultation with Defense, a general recommendation should be made as to the extent to which the remaining $239 million of our total financing commitment to Spain should be programmed in economic aid. The criteria for dividing funds between economic aid and end-item assistance should be the successful implementation of our base program at the least total cost to the United States and the military defense of those bases. Full consideration should be given to the fact that between 60% and 70% of the counterpart generated by economic aid can substitute for other appropriations by the Department of Defense for the construction costs of the base program. Guidance should be obtained from the Department of Defense as to the extent to which they feel it is appropriate to decrease the potential delivery of end-items to Spain in order to save other Defense Department appropriations. Guidance should be obtained from the State Department as to the possible Spanish attitude toward eliminating economic aid for Spain in FY 1955 as well as the implications of continuing a sizeable economic aid program for Spain while sharply cutting back and eliminating economic programs in other European countries. The submission for FY 1955 should include tentative recommendations for FY 1956.

D. *Greece*—In the absence of extraordinary considerations to the contrary, any FY 1955 aid program for Greece should not exceed the level of the FY 1954 program and should be related, to the maximum extent possible, to the support of Greek military forces.

E. *Italy*—In the absence of overriding political, military, or economic considerations, there should be a strong presumption against the continuation of any form of economic aid, apart from technical assistance, to Italy in FY 1955.

F. *Yugoslavia*—Unless there are compelling politico-military reasons for continuing aid to Yugoslavia beyond FY 1955, it should be assumed that the program will be concluded in that year. It is suggested that the FY 1955 program be cut to approximately one-half the FY 1954 program (including use of Section 550 funds). This program might be related in the first instance to the maintenance of minimum consumption imports which are absolutely necessary for the preservation of a minimal level of civilian consumption; second, the provision of sufficient raw materials to prevent substantial unemployment; and third, provision of financial assistance for the purchase of military soft goods to supplement the MDAP program.

G. *Turkey*—If at all practicable, the FY 1955 program for Turkey should represent a material reduction in the FY 1954 level of aid and should proceed on the assumption that in FY 1956 this level is not likely to exceed $20 million. Aid in general should be limited to that required for the immediate and direct support of the Turkish armed forces.

V. Miscellaneous Considerations in the Development of an FY 1955 Program

A. In developing an FY 1955 European economic aid or defense support program, very thorough consideration should be given to the question of the extent to which surplus U.S. commodities can be utilized in, or in a manner which will effectively supplement or replace, such program. The objective should be a careful analysis of ways in which these important U.S. assets can be used in furtherance of U.S. foreign policy, and it can be assumed that, to some extent at least, the total foreign aid program which Congress will authorize and which the Executive Branch will recommend will be greatly affected by the volume of surplus commodities that can be incorporated in any such program. In fact, if substantial opportunities for the useful disposition of such commodities can be developed, the financial limitations contained in II–C above might be materially exceeded.

B. Careful consideration should be given to the question of whether contingencies which may develop between now and the end of FY 1955 are of such likelihood, importance and character as to necessitate, as a matter of common prudence, the inclusion in the FY 1955 program of an amount and, if so, what amount, to meet what might be termed the reasonable expectations as to aid which might be required to cover contingencies that may develop between now and the end of FY 1955.

C. In submitting program proposals, materials customarily furnished in connection with ECA and/or MSA programs in the past should be furnished with respect to those countries for which significant aid programs are recommended. However, consideration should be given to what other types of materials might be useful in developing and presenting a better "case" to the Bureau of the Budget and Congress.

D. To the extent practicable, the development of the program should reflect continuing consultations with the appropriate bureaus of the Department of State and with the Deputy to the Director of FOA for Battle Act purposes, and, where appropriate, with the Department of Defense.

JOHN H. OHLY

No. 285

U/MSA files, lot 56 D 551, "MSP FY 1954-55"

Memorandum by the Acting Special Assistant to the Secretary of State for Mutual Security Affairs (Nolting) to the Deputy Director for Programs and Planning of the Foreign Operations Administration (Ohly) [1]

SECRET [WASHINGTON,] October 28, 1953.

Subject: Mutual Defense Financing FY 1955 Title I, except France and Berlin

The interested officers of the Department of State have reviewed the estimated requirements you submitted to us on October 26, 1953 on Mutual Defense Financing, FY 1955 Title I, except France and Berlin. [2]

It is my understanding that this submission of estimates at this stage is on an informal basis, and we appreciate the opportunity of commenting informally. It is my further understanding that we will be called upon for formal concurrences and comments at a later stage.

We are in general agreement in most instances with the FOA estimates and planning assumptions. Of course if the basic assumptions prove incorrect, it will obviously become necessary to review the situation in the light of the altered circumstances. There are a few differences in estimates of requirements which are set forth below.

Greece While we generally support the reasoning and conclusions in the FOA paper, and while it is admittedly difficult to justify marginal amounts of aid which would accrue in the relatively distant future, we nevertheless would prefer that aid to Greece in FY 1955 be maintained at $20 million, rather than the $15 million proposed by FOA. In view of the continued low Greek living standard as contrasted with the high level of military effort and the need for economic expansion in Greece, we believe that the higher figure will be more effective in assisting Greece to achieve this expansion, while maintaining economic stability and military strength.

Yugoslavia Any comments on Yugoslavia are, of course, premised on the assumption that the Trieste situation will not develop in such a way as to require a major revision in our approach to the question of furnishing assistance to Yugoslavia.

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[1] Drafted by Allen B. Moreland and cleared with Vass and Lewis of GER.

[2] Not found in Department of State or Foreign Operations Administration files.

While any judgment as to Yugoslavia's economy in FY 1955 is very preliminary at this time, it is our view that aid in the amount of $25 million may not prove sufficient to accomplish US foreign policy objectives in Yugoslavia. These objectives are to maintain and strengthen Yugoslavia's potential for contributing to the defense of the West. We suggest that $35 million would be more adequate. This amount is consistent with the overall policy of progressively reducing assistance.

Technical Assistance There would appear to be no need for continuing TA in Europe in present form, except for the less developed countries. Certain TA projects connected with defense production and OSP may be desirable, but those should be primarily the responsibility of the appropriate military service within the DOD.

Spain and Portugal It is understood that FOA is revising its papers on these countries to reflect certain foreign policy aspects not included in the original papers.

As indicated in the FOA paper on Spain, the US is committed to provide $465 million in military and economic aid to Spain during the four years through FY 1957. The question of how the balance remaining after FY 1954 will be divided between economic and military aid spread over the three years has not yet been settled.

We agree that no aid is required for Portugal in FY 1955.

United Kingdom The UK has included $75 million special aircraft financing by the US as an assumption as to resources in its 1953 Annual Review submission. The record of the April discussions appears to indicate that such financing was contemplated by the US at that time. A final decision as to the need for this amount for FY 1955 would appear to be related to the final outcome of FY 1954 programming operation, including Plan "K" and other MDAP aid, as well as further discussions with the British prior to the completion of the 1955 Annual Review.

Germany The Department agrees with the estimate of FOA that the Federal Republic will not require external economic aid or defense support in FY 1955. We hesitate to comment in detail on the analysis and conclusions of FOA respecting the German defense contribution and equipment for German EDC contingents, since an inter-agency working group is studying these problems with a view to reporting to the NSC in November. However, accepting the assumption of the paper on pay-as-you-go for the present, the estimates derived from this assumption require checking and probably should be modified. The requirements of the US and UK should be checked and the amount of funds available to them in FY 1955 from occupation costs and troop support available in the period until June 30, 1954, but carried over for later expenditure, should be applied against requirements estimates to arrive at an estimate of pay-as-you-go expenditures in FY 1955.

Belgium–Luxembourg–Netherlands–Denmark and Norway It is agreed that these countries should require no economic aid in FY 1955. We consider it most unlikely that these countries can be expected to increase the level of their defense expenditures above that currently projected.

Italy It is agreed that no economic aid should be required for Italy in FY 1955. However, receipts from OSP are particularly important to enable Italy to maintain a satisfactory B/P and reserve position. Despite competing demands for its budgetary resources, Italy should be expected to maintain and possibly increase its defense commitments during FY 1955.

Austria The country statement as drafted is acceptable for planning purposes. If the basic assumptions prove incorrect, it will obviously become necessary to review the situation.

Turkey We concur in the level of aid proposed for Turkey in FY 1955 ($40 million). Continued aid is important to assist the Turkish economy eventually to expand to the point where it may be able to support its proportionately large military strength without outside assistance.

FREDERICK E. NOLTING, JR.

No. 286

MSA files, lot W-3127, "Congressional Presentation"

Memorandum by the Assistant Regional Director of the Office of European Operations of the Foreign Operations Administration (Hopkinson) to the Deputy Director for Operations of the Foreign Operations Administration (FitzGerald)

CONFIDENTIAL WASHINGTON, November 13, 1953.

Subject: Congressional Presentation for Europe

In terms of the reactions of Budget Bureau representatives to our preliminary FY '55 presentation, statements of Congressmen who have shown an interest in foreign economic programs, the tone of the daily press, and our own feeling of the public pulse, we believe it is now clear that prudence requires us to avoid attempting to sell a program of economic aid to Western Europe for FY '55.

At present there are eight support programs under consideration for the Title I area which fall within FOA's jurisdiction. We do not yet have adequate information on the nature of the loan to be requested by the C.S.C. but have asked for a cable preview thereof promptly. The eight programs are:

Greece
Turkey
Spain
France
U.K.
Yugoslavia
West Berlin
Finland

These particular programs do not fit within the definition of economic aid to Europe. It is suggested that the term be dropped entirely, and that we switch to the approach described in the following paragraphs.

1. In accordance with our revised organizational pattern, Greece and Turkey could be removed from Title I of the appropriation and grouped with the other Middle East countries for which economic support is requested on the basis of their propinquity to the USSR and the desirability of meeting, in part, expectations of an improved scale of living by their populations.

2. The French program would be justified on the limited basis that it supports the Indochina war. The statement could be made that, in the absence of this extraordinary burden (and with the present flow of dollars from other sources) France would need no outside economic support. Alternatively, the French support program could be removed entirely from the FOA budget, on the grounds that the support was for military purposes and should be shown in the military aid budget.

3. The U.K. program would likewise be justified on a strictly limited basis, i.e., that the U.K. would not be able to raise the minimum air force needed for NATO purposes without this marginal support. Alternatively, again, the possibility exists of transferring this item to the military budget since it serves an immediate military end.

4. Funds requested for Spain could also be justified on the basis of their relationship to an immediate military objective, i.e., the base construction program. In this instance the economic phase would be part of, but incident to, the military package and not a program for economic development in the normal sense.

5. The other three programs—Yugoslavia, Berlin and perhaps Finland—would be grouped under a new legislative title which would give to the President discretionary authority to spend up to, say, $200 million to aid and encourage the peoples living under the immediate threat of Soviet encroachment. (State Department advice would be necessary on the suitability of this within the cold war strategy.) Such discretionary authority would permit the U.S. to move with great speed to exploit weaknesses wherever and whenever they appeared in the frictional areas on the Soviet's borders. If Mayor Reuter was correct in remarking that the June 17th riots in East Germany were only a beginning, we should be prepared for further cracks in the Soviet periphery. But the fact that

the East German riots came as a surprise illustrates the difficulty of planning to meet them 18 months in advance. Funds appropriated under a discretionary title such as that proposed would not be limited to use in Europe, but would be available to cover in Europe the Yugoslav and Berlin programs. They could also be used in Finland if a program were begun there, and to cover extraordinary new needs which might arise similar to the East German food relief program. The flexibility inherent in this method of countering the Soviet threat should have an appeal which is impossible to achieve in static country programs. The program could probably also contain a heavy element of agricultural surplus items.

Handling the European program in the method proposed would serve a dual purpose; it would permit continued support in certain cases related to immediate U.S. objectives and deny to critics of the program the opportunity to press the charge of large-scale give-away to Europe in general. It would get the program off the defensive and onto a positive and offensive concept related to Eastern Europe, where it now should be.

I understand that Mr. Stassen will present his views regarding the FY '55 presentation to the Budget Bureau around the end of this month. It might be worthwhile to take an early opportunity to discuss with him the problems involved this year in attempting to present a European program along the lines previously used, and to explore the alternatives proposed in this memorandum.

No. 287

700.5 MSP/12-653

The Special Assistant to the Secretary of State for Mutual Security Affairs (Nolting) to the Director of the Bureau of the Budget (Dodge) [1]

SECRET WASHINGTON, December 6, 1953.

DEAR MR. DODGE: The Acting Secretary of State has approved the transmittal to you of the following views of the Department of State on the original FY 1955 estimates of requirements for the Mutual Security Program submitted by the Foreign Operations Administration to the Bureau of the Budget. It is our understanding that Mr. Stassen is submitting to you today revised estimates of requirements [2] which differ in some respects from the original FOA submissions. Since we have not had the opportunity, because of the accelerated schedule, to study these revisions, our comments are directed to the original submissions.

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[1] Copies to the Director of Foreign Operations and the Assistant Secretary of Defense for International Security Affairs.

[2] A copy of a 35-page letter from Stassen to Dodge, dated Dec. 9, 1953, transmitting the views of the Director of Foreign Operations regarding the size and composition of the fiscal year 1955 Mutual Security program is not printed.

I should like to take this opportunity to compliment Mr. Macy and his staff on the manner in which they conducted their budget examination. Their searching analysis and cooperative attitude has contributed greatly towards the development of a sound, economical and effective Mutual Security Program for FY 1955.

In presenting the following views, the Department of State has evaluated the general magnitudes of grant assistance in terms of requirements which must be met for various activities and countries if we are to achieve our foreign policy objectives. However, in reviewing the submissions of the operating agencies we have not been in position accurately to evaluate the operational feasibility to utilize effectively the funds requested for particular activities. In addition, we have not taken into account at this time the modalities of our assistance and their effect upon the magnitudes of aid. As you are aware, the Department is studying the possible uses of surplus agricultural commodities in our Mutual Security programs and the possibilities for providing assistance through loans under a more liberal lending policy in lieu of grant economic assistance. Final positions of the Secretary of State on the foregoing questions are expected to be made within the next several weeks, and their effect upon the magnitude of Mutual Security funds evaluated. These results will be promptly forwarded to you.

Military Assistance

The Department of State supports the estimate of $2.4 billion for military assistance—i.e., for MDAP, including offshore procurement. I should like to stress, however, that it continues to be the position of the Department of State that "defense-support" requirements should be sought in the category of "military assistance", and such requirements would thus be additive to the $2.4 billion figure. The Department supports the $2.4 billion estimate of requirements by the Department of Defense on grounds that it will be a step toward placing the financing of the MDAP program on a more current basis, and that the large undelivered parts of the program taken in combination with the plan to finance lead time with Department of Defense funds does not justify additional financing in FY 55 beyond that recommended by the Department of Defense.

The Department of State considers that the $2.4 billion figure is a minimal figure for the following reasons:

(a) There should, in the opinion of this Department, be a provision similar to Section 513*b* of the present Mutual Security Act giving discretionary authority to the President to transfer funds from military assistance appropriations for unforeseen emergencies; the reduction of the $2.4 billion figure, as we see it, would leave little possibility of effecting such transfers without seriously delaying the accomplishment of military objectives.

(b) The Department believes that a program of the magnitude of $2.4 billion, which represents a substantial reduction below FY 1954, will provide continued support for commitments in NATO and other security arrangements, and that this can be adequately explained to our allies without adverse political effects. A further reduction of the figure, however, might well result in the elimination of any further contribution to the war reserve equipment for NATO forces, and thus provide evidence which might be interpreted as a change of our policy in Western Europe.

(c) The FY 1955 military aid program for NATO countries as submitted by the Department of Defense assumes a force basis which excludes from MDAP support all new military units unless individual countries are considered capable of fully supporting and maintaining existing units out of their own resources. It should be pointed out that this programming assumption is in accordance with a JCS criterion which has not been accepted as governmental policy. It is our understanding that time has not permitted the Department of Defense to compare the resulting force basis accepted for MDAP programming with the 1956 NATO force goals which the U.S. intends to approve in the 1953 NATO annual review. It appears almost certain, however, that a fairly large number of support units for ground forces will be included in the NATO force goals for 1956 for which no provision will have been made in the FY 1955 MDA program, although such units will be largely dependent on MDAP assistance for their equipment requirements. A reduction of MDAP funds below the $2.4 billion submitted by the Department of Defense would increase the difficulties of reprogramming to meet the higher priority requirements of such units as are not now covered in the FY 1955 program but which we are prepared to accept within the NATO force goals.

(d) While the program presented by the Department of Defense does not make special provision for certain contingent requirements for military assistance in FY 1955, the Department of State believes it may be necessary to reprogram, as a matter of priority, some part of the $2.4 billion for such requirements. Among the countries where we believe this may be the case is Germany, Japan, Iran, and Pakistan and possibly several other nations in the Middle East and the American Republics. Reduction below the $2.4 billion submission would impair the possibility of reprogramming without serious prejudice to the accomplishment of other objectives of this program.

(e) It should also be pointed out that the Executive Branch is actively considering a decision to provide non-nuclear new weapons for NATO forces. [3] If this decision is made there is doubt that the figure of $2.4 billion will be sufficient to implement this plan.

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[3] For documentation on the interest of the United States in reassessing NATO military eqiupment requirements, see vol. v, Part 1, pp. 482 ff.

An assumption which should be stressed in connection with the Department of State's support of the $2.4 billion figure is that we will succeed in making substantial deliveries of equipment to our allies. The contemplated sharp reduction in new obligational authority in FY 1955, particularly in the NATO area, coupled with a failure to deliver past programs, would undoubtedly lead our allies to believe that we were reversing our policies towards Western Europe.

A major objective of the mutual security program is to support the continued development in Europe and the Far East of an adequate military production base. The offshore procurement portion of the Mutual Defense Assistance program has been and will continue to be a key element in achieving this objective. The assumption that a substantial volume of offshore procurement could and would be continued under the FY 1955 MDA program is a major factor in the Department's support of the reduction in "defense support" programs for that year.

Europe—Economic Assistance

France (Indochina)

The Department strongly supports the estimate of $800 million for support of the military operation in Indochina to be included as a part of the "one line item". In accordance with our discussion with Mr. Macy of your staff, a costing exercise for this program for calendar year 1954 is being undertaken and will be completed before the time for submission of legislation to Congress. Out of this costing study should come the basis for projecting 1955 costs and a firmer estimate of the amount of this important requirement.

Berlin

For West Berlin, the Department believes that an estimate of $30 million for grant assistance would be adequate to achieve our foreign policy objectives. The Department considers the attainment of our objectives in Berlin to be of a high priority. To this end we believe it essential to attain the goal of a further reduction of unemployment in Berlin by another 50,000 for the coming year. While it is our expectation that we will be successful in our negotiations to have the Federal Republic further increase its support to Berlin in 1956, we believe that U.S. aid of about the same level furnished in FY 1954 ($30 million) will be required. On the assumption of a greater share of the support of Berlin by the Federal Republic, we have in our estimate substantially reduced the pipeline beyond FY 1955.

Greece

The Department concurs in the original FOA estimate of $15 million for Greece.

Spain

The Department concurs in the estimate of $30 million for Spain and supports the views in the FOA memorandum on assistance to Spain being submitted to the Bureau of the Budget.

Turkey

The Department concurs in the estimate of $40 million for aid to Turkey. However, it should be pointed out that the Embassy at Ankara has reported that recent developments indicate that achievement of the force build-up desired in Turkey may not be possible on the basis of the amount of aid now programmed in FY 1954, or the $40 million requested for FY 1955.

United Kingdom

The Department concurs in the estimate of $75 million for the U.K. It is the Department's view that there is a commitment to the U.K. to request Congress to appropriate this amount to support the U.K. defense effort. Although the military assistance program provides for complete financing of the U.S. contribution to Plan K, it is our understanding that the Secretary of Defense has not approved a policy to support Plan K. Accordingly, we believe that this estimate of $75 million required to enable the U.S. to fulfill its commitment should be included in the "one line item" until there is a U.S. position on financing Plan K for FY 1954 and FY 1955 and until negotiations are undertaken with the British as to the overall estimate of U.S. aid needed to support the desired level of U.K. defense build-up. Should these negotiations be successful, we would hope that a satisfactory U.K. effort in FY 1955 could be attained without requiring the full U.S. contribution to the cost of Plan K and the additional special $75 million program. In this case, the estimate to be justified before Congress should reflect any reduction under this amount that can be achieved.

Yugoslavia

The Department supports the revised estimate of $35 million for Yugoslavia. The provision of this amount of aid to Yugoslavia is a matter of importance to assure the continued development and maintenance of adequate defense forces.

Productivity and Technical Assistance

The Department in its informal comments did not support the FOA submission on this item as originally presented. However, it is now the plan that these programs should be phased out in a manner designed to preserve their past accomplishments. The Department concurs in the revised FOA planning, which takes this factor into account, and believes that these programs should be transferred to the local governments and OEEC during FY 1955.

[Here follow discussions of economic and military assistance to the Near East and Africa, South Asia, the Far East, Latin America, and Multilateral and Other Programs; for text, see volume I, Part 1, page 669.]

Sincerely yours,

FREDERICK E. NOLTING, JR.

No. 288

S/S-NSC files, lot 66 D 148, "NSC Memos"

Memorandum by the Secretary of State [1]

CONFIDENTIAL WASHINGTON, January 8, 1954.

At the NSC meeting today, Mr. Stassen stated that they were planning to go to Congress with a "four line" request, the appropriation to be to the President with flexibility provisions but with provisions for merging the military funds into Defense funds, the overseas military funds to be spent under State Department foreign policy guidance. This would be along the lines stated in the President's State of the Union Message. [2]

Mr. Stassen also stated that while the suggestion would be made to Congress of continuing the FOA, they were not going to press for this but would accept any set-up that Congress desired and if they wanted to transfer the funds to the State Department for economic aid, that would be OK provided the transfer had proper provisions for coordination. It was suggested that it might require the President to submit a new State Department reorganization plan.

It was agreed that the fund would be called "Freedom Fund".

JFD

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[1] Copies to Walter Bedell Smith, Murphy, Byroade, Robertson, Cabot, Bowie, Waugh, Nolting, Morton, Merchant, MacArthur, and Wilbur.

[2] President Eisenhower's Annual Message to Congress on the State of the Union, Jan. 7, 1954, is printed in *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1954*, pp. 6-23.

No. 289

740.5 MSP/1-1354

Memorandum by Laurence C. Vass of the Office of European Regional Affairs to the Assistant Secretary of State for European Affairs (Merchant)[1]

SECRET WASHINGTON, January 13, 1954.

Subject: Fiscal Year 1955 MSP and EDC

On January 21 the Budget message will reveal to the Congress and our allies the Mutual Security Program which the Administration requests for Fiscal Year 1955. The grand total of military aid will appear as $2.5 billion, which is not startlingly lower than the figure Congress appropriated last year. However, appearances are quite misleading in this case.

All of the $3.2 billion Congress gave us last year was for "normal" military aid programs. This year the Administration has included $900 million of budget support aid in the $2.5 billion (including the Indochina $800 million), so that only $1.6 billion is requested for regular MDAP. After allowing for fixed items (administration, infrastructure, etc.) and non-NATO country programs, only about $700 million of this can be expected to be shown as equipment for NATO countries (including Greece, Turkey and Germany). By comparison, Congress gave about $1.5 billion last year for these countries.

However, there remain two major hurdles to surmount. There is as yet no decision within the Administration that the full $1.6 billion will be requested *as an appropriation*. Stassen is counting on substantial "savings" again this year to reduce the new funds needed. The Bureau of Budget takes the line that the program can be largely financed by funding the "lead time" through the Department of Defense appropriations. It is likely that the authorization requested in the actual bill to be submitted will be less than the Budget message figure; it is virtually certain that the *appropriation* request will be substantially lower, even though Congress were to surprise us by granting the full authorization requested.

However, there is faint hope that Congress will be so generous. We face this year the usual consequences of overfunding and overpromising. We have flopped badly on our expenditure forecasts, with the consequence that some $8 billion (of which about $3 billion is for OSP) will be unexpended at the end of this fiscal year. Even worse, it is feared that several billions will remain *unobligat-*

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[1] Copies to Nolting, Reinstein, Elbrick, Moore, Jones, and Martin.

ed at the time Congress is considering the bill. Given the forecast budget deficit of $3 billion, it will require a powerfully strong stand by the Administration, based on a persuasive presentation, to prevent the budget balancing bloc from trimming the program very substantially.

So far as the NATO program is concerned, the prospects for a successful defense are not good. In fact, the following adverse factors indicate that the NATO program will bear the brunt of the attack:

1. an unexpended balance of about $6 billion in Europe;
2. no spectacular force increases;
3. dissatisfaction with the East West trade policies of our allies;
4. the absence of a NATO lobby, to offset pressure for preserving programs for Formosa, Israel, Spain, etc.

Of overriding importance is the prospect for early ratification of EDC. The Congress will certainly be considering the bill by April, and the authorizing legislation may be on the floor by May. If early ratification appears assured by then, our prospects of successfully defending the program are fairly bright. If, however, the four power talks drag out, if the French and Italians are unable to act or procrastinate, our "agonizing reappraisal" will occur but in the most explosive place—the floor of the Congress.

Since the odds are that this is exactly what will happen—Congressional debate at the very time when the success of our integration policy hangs in balance—it would seem wise to consider any approach, however drastic, which might serve the dual approach of (1) aiding ratification by administering a second "shock" and (2) retaining the initiative in the Administration. The latter is a most important consideration, as the passage of the Richards Amendment[2] last year illustrates. As indicated above, the monetary stakes for which we are playing are not large. We can do without the few hundred million involved, if we could thereby protect our foreign policy objectives. The risk we run in asking for this sum is the temptation for Congress to devise some punitive action tying up unexpended funds, if EDC ratification has not by then become assured. The danger is obvious: Congress may itself decide upon an alternative to the EDC, e.g., direct German rearmament, thereby nullifying whatever plans the Administration may have for bringing its own policy to a successful conclusion.

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[2] The Richards Amendment to the Mutual Security bill of 1953 provided that 50 percent of the military assistance funds for Europe in fiscal year 1954 be used for equipment and materials to be transferred to the European Defense Community or to countries which became members thereof unless Congress, upon Presidential recommendation, provided otherwise. For text of the Richards Amendment agreed to July 11, 1953, see vol. v, Part 1, p. 796.

There is an alternative approach, if certain assumptions be accepted. These are:

1. EDC ratification is not expected to be certain before we present the aid bill to Congress.
2. We have decided not to abandon EDC for a policy of pushing ahead with an independently rearmed Germany.
3. We accept the fact that we are overfunded and that there is no firm basis for asking for more money this year, except for political reasons.
4. The fate of EDC is sufficiently in doubt that (a) "shock treatment" is a warranted risk and (b) the risk of a lethal shock by the Congress is too great to be accepted.

Under these assumptions, it seems to me that the best defense is for the Administration to be offensive. In the bill itself or in a special message, carefully timed for French impact, the Administration could announce that the Fiscal Year 1955 estimates include no new program of military aid for NATO countries and Germany, for the following reasons:

1. Because of the delay in the ratification of EDC, we are overfunded. We have $1.3 billion funded before Fiscal Year 1954 for Germany and another $550 million of Fiscal Year 1954 funds sterilized under the Richards Amendment. In addition, the new Administration is finding substantial savings which "stretch" past appropriations over new requirements.
2. Despite our confidence in eventual ratification, we have no firm basis for calculating requirements for further funding now of the EDC build-up. Presently-known slippage requires substantial reprogramming, with the result that new European requirements can largely be met from equipment already procured for German forces.
3. Since all NATO planning is based on the "forward strategy", all additional NATO build-up is open to question until EDC is ratified and German contingents are known to be available. Until this only practical means for German rearmament materializes, we cannot justify further requests based on the assumption that we are to carry out this strategy.
4. We accept the wisdom of the Richards Amendment. However, we ask that the Congress authorize reprogramming of this amount to non-EDC Title I and II countries. To the extent that valid requirements in non-EDC countries exist, the German program will similarly be reprogrammed.
5. We do not request that the Richards Amendment be lifted so far as EDC countries are concerned. With the possible exception of Italy, previous programs funded an adequate supply of equipment over the next two years, so that Fiscal Year 1955 funds are not needed. Some reprogramming among these countries may, however, be required.
6. Should, as we hope and expect, EDC be ratified shortly and the German build-up begins, we will have retained in the German program the short-lead items necessary for the beginning of train-

ing. In addition, there is ample funding in Defense budget to insure prompt delivery of longer lead-time items, if funds are available when required. Should the desired happen, and additional funds are warranted for EDC forces in view of their rapid build-up, the Administration will request a supplemental appropriation.

The timing of an announcement of this sort will largely depend on its effect on EDC ratification. It would not be wise to make an announcement until after the new French Government is formed and until the Berlin talks[3] are disposed of as an obstacle to ratification. If these obstacles are removed fairly quickly and the key debate in the French Assembly is scheduled to take place without delay, we should definitely suppress an announcement along the lines suggested, since it would undoubtedly have a disruptive effect. We would instead want to be making announcements on our assurances and taking other constructive steps to provide the final inducements.

What we may be faced with, however, is prolonged delay in the formation of a government or continued procrastination on EDC ratification by a government already formed. If we are faced with either of these situations and we approach March with no action on the EDC, then an announcement of the proposal at that time could be a very effective final "shock treatment" to bring about ratification.

Perhaps the best procedure, whatever the situation a month from now, would be to inform the French privately in mid-February that we will be forced to make an announcement along the above lines in the near future in view of the approaching Congressional consideration of the mutual military program. Informing the French in advance would make very clear to them the urgency of the situation.

If announced, the impact of the proposal throughout Europe will be very great. It will be obvious to all concerned that this is the first concrete result of the "agonizing reappraisal" of U.S. foreign policy. Between the lines of the announcement it will be apparent that the real choice being presented is between the forward strategy and the peripheral strategy. The peripheral overtones will be obvious in the fact that aid to non-EDC NATO countries, plus Spain and Yugoslavia, continued as planned, partly by transferring aid previously programmed for the EDC countries.

The EDC countries other than France will, of course, object violently when the proposal is announced. However, seeing the peripheral handwriting on the wall, their principal reaction will be to do everything possible to bring about French EDC ratification. The Germans, who are taking a hard line on the Saar and other French-German questions these days, are likely to change their tune, if they see how completely everything depends on EDC ratification. The Italians should also be "shocked" into a different attitude. The Benelux countries will undoubtedly protest to us most vigorously about the reprogramming of the Richards Amendment equipment to non-EDC countries, but they will also react by bringing a maximum of pressure on the French.

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[3] For documentation on the meetings of the Foreign Ministers of the United States, United Kingdom, France, and the Soviet Union, at Berlin, Jan. 25–Feb. 18, 1954, see vol. VII, Part 1, pp. 804 ff.

The proposal will also have an impact on the other NATO countries. While on the one hand they will have the assurance of a continuance of their own aid programs, they also have a great deal at stake in the forward strategy and they will add to the pressure on the French to ratify.

No. 290

740.5 MSP/3-954

The Acting Special Assistant to the Secretary of State for Mutual Security Affairs (Nolting) to the Director of the Foreign Operations Administration (Stassen) [1]

CONFIDENTIAL [WASHINGTON,] March 9, 1954.

DEAR GOVERNOR STASSEN: I would like to discuss with you some of our misgivings arising from the slowness in placing off-shore procurement contracts in Europe. This has been a matter of increasing concern to us here in State and I would like to set forth some of our thinking on the matter, both with respect to the consequences of a failure to place a significant number of contracts this year and on what we can do to accelerate the placing of contracts. We are very much aware of the many factors which make OSP a complicated and slow operation, but there are certain things we believe can be done which will help speed the matter.

I understand there are two factors presently under consideration within the interested agencies which have a direct bearing on the timing and amount of OSP contracts to be let during this fiscal year. The first is the question of when to place follow-on contracts, and the second is the pricing formula. When Mr. Tracy Voorhees was in Washington last month we had several discussions with him, from which the following information was derived. First, Mr.

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[1] Cleared with Vass and Moore. A typewritten notation on the source text reads: "Copy furnished Gen. Stewart (Defense) 3/10/54."

Voorhees, with the approval of Mr. Kyes and Mr. Nash, is advocating the non-placement of follow-on OSP contracts in all cases in which the continuation of a line of production and the date of deliveries of end items are not affected by the withholding of contracts for the present. The reasoning of the Defense Department in advocating this procedure seems to be that it is sound business practice not to obligate OSP funds for follow-on contracts until the reorder point has been reached, on grounds that to do so will limit the flexibility of the U.S. in the use of OSP funds without accomplishing commensurate gain in terms of production or the continuation of a production base. Mr. Voorhees originally estimated that some $200 to $230 million worth of contracts might be affected if this idea is adopted. He now believes that perhaps a larger volume would be affected, and at our request he is seeking to determine as precisely as possible the amount of contracts which would be involved in such a decision. On the basis of these findings, I think we should consider together the policy questions involved. In a recent message, we have again requested USRO to give us the information about the volume of contracts involved in this consideration as promptly as possible.

On the question of pricing, I understand that Mr. Kyes is presently considering a new pricing formula as follows: where similar items are manufactured in the United States, the OSP price shall not exceed the U.S. commercial price plus cost of delivery, except in cases where the Director of OSP (Mr. Voorhees) shall determine that the contract is necessary in order to continue a production line important to U.S. security. In discussing the effect of this possible new pricing formula on the volume of OSP contracts in Europe, Mr. Voorhees said that he had not yet been able to determine the exact effect, although he expected it to have a major impact. Mr. Voorhees is analyzing its impact and will advise us as soon as possible.

From the point of view of this Department, there are two major political factors which we believe have an important bearing on these decisions. The first is the indication given by Secretary Dulles and yourself at the NATO Meeting last April [2] concerning the general order of magnitude of OSP contracts which we expected to place in Europe this year—approximately $1 billion. In view of the transfers from Title I funds and other factors, the amount available for OSP during Fiscal year 1954 is, I understand, somewhat less than this, and is now approximately $850 million. To fall substantially below this figure would, in our opinion, raise doubts and misgivings in the minds of our European allies concerning our intentions for the future, even though such action might be justified in the case of follow-on contracts on strictly business principles similar to those currently in use in the United States. In addition, to fall substantially below this amount would, we believe, have a bearing on the fiscal and financial policies of our allies with respect to their defense budgets and the development of force plans through 1957 for this year's Annual Review.

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[2] For documentation on the Eleventh Session of the North Atlantic Council at Paris, Apr. 23–25, 1953, see vol. v, Part 1, pp. 368 ff.

The second political factor relates to the strategy to bring about the ratification of the European Defense Community. The clear-cut policy on this is to proceed in all matters as if the EDC is coming into being—until such time as this is demonstrably an invalid assumption. Following this policy would mean that the withholding of OSP contracts should not, either in fact or by inference, be attributable to U.S. doubts concerning the ratification of EDC. It seems to us that, if the policy of withholding follow-on contracts is adopted, or a much stricter pricing policy is adopted, the interpretation will be made that this action is the beginning of the U.S. reappraisal against the possibility of non-ratification of EDC. Such an interpretation, in our judgment, would be extremely dangerous and harmful at this juncture.

Another factor which we have considered is the Congressional reaction. It is our judgment that, while Mr. Voorhees may be correct in his estimate that funds withheld until the reorder point has been reached would probably be carried over and made available for the next fiscal year, it is unlikely that additional funds would be appropriated for OSP. It is the considered opinion of this Department that the abrupt termination of OSP in Europe is not in the national interest and that the funds appropriated for Fiscal Year 1954 for this purpose should, unless factors not now discernible dictate otherwise, be spent for off-shore procurement in Fiscal Year 1954, and that additional but reduced amounts should be sought for OSP in Fiscal 1955.

At this time, I simply want to bring our thoughts on these matters to your attention. I believe that we should not reach a final governmental position until Mr. Voorhees has advised us from Paris regarding the orders of magnitude involved in the possible new criteria. Thereafter, I suggest that representatives of FOA, Defense, and State meet together to determine the policy questions involved.

Sincerely,

FREDERICK E. NOLTING, JR.

No. 291

700.5 MSP/3-1654: Telegram

The Secretary of State to the Embassy in Turkey [1]

SECRET WASHINGTON, March 16, 1954—6:30 p.m.

320. Congressional inquiry Secretary Defense transmitted Department on subject number Communist and non-Communist employees and relative strength Communist and non-Communist unions in individual plants with OSP contracts. Info also needed in preparation FOA-State Congressional presentations Mutual Security program on policy considerations and procedures related labor factor in placing OSP contracts. Re countries other than Italy, France and Greece is it accurate describe situation as no OSP plants having significant number Communists or Communist union representation? Appreciate general analysis and details as available. Re Italy, France and Greece country team requested supply general analysis and available details re individual plants where bulk of orders placed. Useful receive from each country team info re procedures followed in evaluating labor factors OSP contracting (Circular Airgrams, unnumbered, January 21, 1952 and February 27, 1952) [2] as well as other material considered helpful this subject not limited to Communist problem. In addition helpful have info supplied country team this subject to Senate Subcommittee recent visit Europe. Also request report on meetings with Subcommittee in Paris February 27 with USRO officials and several labor attachés.

All info needed Washington before end March. [3]

DULLES

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[1] This telegram, which was drafted and signed for the Secretary by Horowitz, was cleared in draft by Mintzes, Blumberg, Levy-Hawes, Barnett, Fidel, and Lincoln. It was also sent to Athens, Brussels, Bonn, Copenhagen, The Hague, Lisbon, London, Luxembourg, Madrid, Oslo, Paris for Embassy and USRO, and Rome and was repeated for information to Frankfurt for USCINCEUR.

[2] Neither printed. The unnumbered 12-page circular airgram of Jan. 21, 1952, set forth certain procedures and purposes in implementing the offshore procurement program in Europe including plant selection, contract letting, and labor policy and guidance. (700.5 MSP/1-2152) The circular airgram of Feb. 27, 1952, reads in part: "The off-shore procurement program must be conducted in such a way as to win the support of European workers and strengthen and keep the good will of the democratic trade unions by supporting good working conditions and by favoring firms sympathetic to free as against Communist trade unions. It is imperative that this be fully appreciated, for if off-shore procurement is not conducted with due regard to the labor aspects and implications, the program may turn out to be a boon to Communist propaganda and Communist strength." (700.5 MSP/2-2752)

[3] The posts queried replied quickly and briefly to the questions contained in this telegram. Telegram 783 from Ankara, Mar. 19, stated simply that the Communist

Continued

No. 292

DMS files, lot W-1444, "Procurement, Offshore, 1954"

Foreign Operations Administration Record of Action [1]

CONFIDENTIAL
[MISC/RA-34]

WASHINGTON, April 6, 1954.

INTERDEPARTMENTAL MEETING ON FY 1954 OSP PROGRAM, CHART ROOM, EXECUTIVE OFFICE BUILDING, APRIL 2, 1954—1:30 P.M.

Attendees:

FOA	*Defense*
Mr. Stassen	Mr. Kyes
Dr. FitzGerald	Mr. Voorhees
Mr. Ohly	Mr. Duval
Mr. Arth	Gen. Stewart
Mr. Sharpe	Adm. Davis
	Col. Anding

State
Mr. Merchant
Mr. Nolting
Mr. Moore

PURPOSE OF THE MEETING

To discuss various aspects of the FY 1954 OSP program, including: (1) status of FY 1954 OSP operations; (2) desirability of postponing placement of long-lead contracts and carrying over funds for OSP into FY 1955; (3) new price policy; (4) intergovernmental memoranda of understanding; (5) OSP of naval vessels in FY 1954; (6) Communism and OSP; and (7) use of $37.5 million carry-over for Italian aircraft production.

Party was illegal in Turkey and that there were probably no Communists in OSP plants. (782.001/3-1954) Telegram 2330 from Athens, Mar. 27, also rejected the possibility of large Communist infiltration of OSP plants. (781.5 MSP/3-2754) Telegram 3466 from Paris, Mar. 22, stated that the report on information given by the country team to Senators Symington and Bridges during their recent trip to France had been transmitted in telegram Tousfo A-396, Mar. 10 (not found in Department of State or Foreign Operations Administration files) and other information requested would follow. (751.5 MSP/3-2754) However, no other telegram was sent on the matter prior to the end of the month. Telegram 547 from Oslo, Mar. 26, stated: "There are no Communist unions in any Norwegian plant holding OSP contract". (757.5 MSP/3-2654) Telegrams 2839, Mar. 19 and 3160, Apr. 9, from Rome, stressed the difficulty in making an accurate determination given the paucity of available personnel and the imminent deadline for placing offshore procurement contracts. (765.5 MSP/3-1954 and 4-954)

[1] Drafted by Mary Joan Fox of the FOA Executive Secretariat.

1. Status of FY 1954 OSP Operations

Mr. Voorhees said that the situation with respect to placing contracts is not too satisfactory; but against our statement to NATO that OSP would approximate $1.5 billion in FY 1954 he offered these items:

$250 million placed at the end of FY 1953 which could really be considered part of the 1954 program
85 million for UK aircraft
85 million for artillery etc. for France
47 million in the facilities equipment program
50 million in the special weapons program
225 million diverted from this program for Indochina
780 million remaining OSP

He explained that within the $780 million are the programs for all-weather fighters: Javelins or F–86K's. Of the remaining $730 million we are proceeding to contract for $400 million.

Mr. Stassen asked for a report of progress on the $400 million contracting. Mr. Voorhees reported that (1) the Bureau of Ships team will leave on April 6 to place ship contracts and the rest of the Navy procurement will be handled by the Navy Procurement Office in London; (2) contracts are being made with the British for $112 million in Plan K and the contracting officers are working on the rest of the Air Force program; (3) the Army now has the pricing directive and authority to proceed on all its program except $250 million for ammunition.

It is planned to place contracts for $250 million Army ammunition, $62 million Navy ammunition, and about $30 million of other items with plants that already have OSP contracts and where it is desirable to keep the production base open as long as possible, but where it is not necessary in production terms to reorder until after June 30, 1954. About $312 million of the $330 million in the follow-on contract category is for ammunition.

Mr. Stassen asked how much ammunition is in the $400 million; Mr. Voorhees replied only about $13 million.

2. Desirability of Postponing Placement of Long-lead Contracts and Carrying Over Funds for OSP into FY 1955

Mr. Stassen asked if the procurement officers do not have a follow-on order directive for the $312 million ammunition. Mr. Voorhees said they have the program; they have solicited and received bids; but they have been directed to devote their first efforts toward placing contracts where earlier deliveries would result.

Mr. Kyes said there are two considerations in the ammunition contracts: (1) It has been the practice to pile follow-on orders on top of orders, with a resulting loss of control of our funds. Both domestically and abroad we are trying to keep from placing follow-on orders until the proper time because in that way we will gain more flexibility, will not be fictitiously committing funds which are not going to result in production, and the tendency for costs to go down may give us the advantage of lower prices. (2) There may be cases where it would be better, from the point of view of the whole production base, to bring a new facility into the program rather than to place follow-on orders with plants already holding contracts. Defense is trying to assess the European production base, to decide on what basis we could keep it hot for a reasonable period, and to determine the needs for a reasonable mobilization base for ammunition production.

Mr. Stassen said the delay in placing follow-on orders presents these difficulties: (1) We will probably lose that $300 million if it is not committed by June 30. (2) There is danger of falling far short of what Secretaries Wilson and Dulles told NATO there would be in OSP business this fiscal year; and this has serious security, cohesion, and political ramifications. (3) We will not introduce the element of stability and confidence into the European economy that would be possible with follow-on orders projected far into the future.

Mr. Stassen said that from the standpoint of security policy and having in mind the President's statement that he wants an ammunition production base established in Europe, it seems worth examining the policy of laying the money on the line now to the best producers, in sufficient quantity that they could keep a hot line going to June 30, 1957.

Mr. Kyes said that he felt Congress would react favorably to our taking the position that in order to keep control of our funds we are not going to place contracts until necessary. He added that Secretary Wilson is opposed to the placement of orders at this time, and is not worried about the commitment to NATO because a number of conditions have changed since April 1953—for example, EDC has not gone through.

Mr. Voorhees said that we would indicate the plants which would presumably get the follow-on orders and say that we would place the orders far enough in advance for them to continue uninterrupted production. They would be assured of continuity.

Mr. Merchant said Mr. Kyes' arguments seemed compelling and he felt that in the long run we would be better off with Congress if we could show justifiable and sound procurement practices. However he expressed concern about the delay in placing the $300 million follow-on orders. Since Secretary Dulles feels we should proceed on the assumption that EDC will go into effect, it would be unfortunate if this procedure were construed as a shift in policy or as a threatening action. He said he was not entirely satisfied with all the items Mr. Voorhees listed within the $1.5 billion because there appeared to be some double counting involved.

Mr. Merchant pointed out that the dollars involved mean much more than just contracts to individual plants in that if the governments can look forward to certain amounts of dollars coming into their balance of payments from this source there will be an added element of stability and security in their economy and an influence on their whole thinking.

Mr. Stassen suggested that Congressional leaders may hold the view that it would be better to commit these funds than to ask that they be reappropriated. Since our OSP program for FY 1955 will be much smaller, if we lose these funds at the end of FY 1954 we would not have established the production base desired by the President.

Action: To prepare a paper on the issues and alternative policies for a presentation to the President for decision. (Mr. Ohly)[2]

Mr. Voorhees said that if it is decided to place follow-on contracts they should contain a clause to the effect that no expenses would be incurred in connection with the contract before a specified date, which would be a date *x* months before the present contract expires.

3. New Price Policy

Mr. Stassen asked if Defense expected any difficulties in placing contracts for the $400 million by June 30. Mr. Voorhees said he could not tell what the impact of the pricing policy would be. The big problem involves Army ammunition. We have a list of 1953 US prices on comparable items but the prices are not commercial prices since our ammunition is produced, in varying degrees, in government-owned ordnance plants.

Mr. Stassen said that, in view of the President's desire to have a complete ammunition base in Europe, he assumed that if certain ammunition were higher in production cost our price policy could be waived. Mr. Kyes agreed and added that if there is no comparable US *commercial* price, the requirement in the directive would not apply. In other words, the new price directive should result in no delays; even the exceptional cases that must be referred to Washington can be cleared in twenty-four hours.

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[2] No such paper has been found in Department of State or Foreign Operations Administration files.

4. Intergovernmental Memoranda of Understanding

Mr. Voorhees said these memoranda have been completed with the UK and France. The Belgium memorandum will probably be ratified in June. Negotiations on the others (except Portugal, which will not give us the agreement) are proceeding satisfactorily. He said that if the negotiating team encounters serious difficulties they will take up the problems with the Political Division in USRO.

5. OSP of Naval Vessels in FY 1954

Mr. Voorhees said there was a decision on April 2 to take $18 million out of the Navy's OSP program, for US construction of AMS's because the magnetic signature of US ships is more favorable, and for other reasons.

Mr. Stassen suggested that if there are some ships in the FY 1955 OSP program that could be accelerated we might pick them up this year with the $2 billion unobligated balance.

6. Communism and OSP

Mr. Voorhees reported that we will place no OSP contracts in Italy without the approval of the Ambassador.

7. Use of $37.5 million Carry-over for Italian Aircraft Production

Mr. Kyes said he believed we should wait until May 15 to decide on the use of this carry-over item. Mr. Stassen said FOA thought it would be advisable to have a team study the possible alternatives before May 15 so that on that date we would be better prepared to make decisions.

Mr. Kyes said that Defense feels the all-weather fighters are such a high priority that the only alternative use for the $37.5 million should be for all-weather fighters from another source.

8. Other Problems

General Stewart said the Air Force has recommended that to meet the cost of sending technicians and B-26 squadrons to Indochina we cancel some French Mysteres. When questioned by Mr. Stassen, he estimated that there will be a little less than $2 billion unobligated funds at the end of FY 1954.

Mr. Stassen said his approach would be to cut out those programmed items which cannot be obligated by the end of the fiscal year and use those amounts for the expanded Indochina program. The French Mystere production would not fall in that category.

Gen. Stewart said that under present regulations and procedures Defense cannot program unless it has money to program. Mr. Kyes explained that Defense cannot obligate for contracts unless the money is in hand; otherwise, we might find it necessary for the individual services to take the money out of their own funds to the detriment of the US military forces. Mr. Stassen said he did not see how that situation could develop since Defense now has about $8 billion unspent and will have $2 billion unobligated by the end of the fiscal year. Of course, there would be involved a revision of the program at the end of the fiscal year.

Mr. Stassen asked if any items that were eliminated from the proposed 1955 program could be contracted for in the next three months against the $2 billion unobligated funds.

Gen. Stewart said that the main reason the funds will not be obligated is that the money was not received until January. Further, the contracting officers encounter difficulties when the program is not firm but changes because of shifts in emphasis. There are certain items, involving considerable sums of money in toto, such as hand tools, spare parts, and items that are requisitioned against stock. We must have money to cover them but they are not items that can be contracted for.

Mr. Stassen suggested there might be some items in the over-all program that might be reconsidered—such as shifting from an aircraft that is moving toward obsolescence to a more future type.

Action: General Stewart said he would ask the Air Force to look into this matter.

The meeting adjourned at 2:55 p. m.

No. 293

Editorial Note

Throughout the first half of 1954, Congress and the Executive actively contemplated revisions in the Mutual Security and Foreign Aid Programs. Title III of Public Law 215, 83d Congress, 1st Session, passed August 7, 1953, had established a Commission on Foreign Economic Policy composed of 17 members, 7 of whom were appointed by the President and 5 each by the Senate and House from among their respective memberships. This Commission, headed by Clarence B. Randall, made its report to the President and Congress on January 23, 1954. Although largely concerned with the problems of foreign investment, agricultural surpluses, trade expansion, the postwar dollar problem, etc., the Commission did devote a brief section of its report to problems of mutual security and technical assistance. A majority demanded that the offshore procurement program be oriented firmly toward its military purpose and only secondarily toward the encouragement of increased European productive capacity on a competitive basis. "The offshore procurement program should not be used as a form of general economic aid." Indeed, a majority of the Commission recommended that economic aid on a grant basis should be terminated as soon as possible. (*Report to the President and the Congress by the Commission on Foreign Economic Policy, January, 1954*, pages 6–10) For further documentation on the work of the Randall Commission, see, volume I, Part 1, pages 49 ff.

On March 19, Secretary Dulles appeared before the Senate Foreign Relations Committee to discuss foreign policy and its relation to military programs. While the Secretary did not discuss mutual security problems per se, he did speak at some length about the "New Look" in defense planning which presumed a continued restraint in overall defense spending. (83d Congress, 2d Sess., *Hearings Before The Committee on Foreign Relations, United States Senate; Statements of Secretary of State John Foster Dulles and Admiral Arthur Radford, Chairman, Joint Chiefs of Staff*, March 19 and April 14, 1954)

During the spring of 1954 both the House and Senate began hearings on an entirely new Mutual Security Act to supplant that of 1951 which was due to expire by statutory fiat on June 30. The House Committee on Foreign Affairs held hearings between April 5 and June 8 (83d Congress, 2d Sess., *The Mutual Security Act of 1954. Hearings . . . April 5–June 8, 1954*); the Senate Foreign Relations Committee held hearings in June (83d Congress, 2d Sess., *Hearings . . . on the Mutual Security Program For Fiscal Year 1955*, June 4, 8, 9, 14, 15, 16, 17, and 22, 1954). President Eisenhower signed Public Law 665, the Mutual Security Act of 1954, on August 26, 1954. (68 Stat. 832) For additional information on the Mutual Security Program for fiscal year 1955, see *Current Economic Developments*, No. 440 (April 27, 1954), *infra*.

As in 1953, the projected fiscal year 1955 Mutual Security Program was also a subject of discussion in the National Security Council during the early months of 1954, but on a reduced scale. For documentation on NSC discussions of the fiscal year 1955 Mutual Security Program, see volume I, Part 1, pages 592 ff.

No. 294

E files, lot 70 D 467

Current Economic Developments

[Extract][1]

SECRET
[No. 440]

WASHINGTON, April 27, 1954.

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Mutual Security Program for 1955

Congressional hearings have begun on the Administration's Mutual Security Program for fiscal year 1955.[2] The program totals approximately $3.4 billion in new funds, in comparison with $4.5 billion appropriated for fiscal year 1954 and $6.1 billion for fiscal year 1953. The program is divided by functions into the following seven categories:

Mutual Defense Assistance	$1,580,000,000
Direct Forces Support	945,000,000
Mutual Defense Support	223,400,000
Technical Cooperation	131,600,000
Development Assistance	256,400,000
Relief and Rehabilitation (Korea only)	241,300,000
Other Programs	70,000,000

Mutual defense assistance covers programs of military equipment and training administered by the Department of Defense as well as certain programs closely akin to military end-item and training programs such as facilities assistance, contributions to NATO, infrastructure and special weapons planning. Direct forces support includes a program for the manufacture of aircraft to be delivered to the RAF; financial assistance for the support of military operations in Indochina; and common use programs for Yugoslavia, Turkey and Formosa. Mutual defense support includes assistance programs which are needed in some countries to create the necessary economic strength to support the maintenance of military forces at a certain level. Technical cooperation includes the sharing of our knowledge and techniques with the peoples of the less developed areas to help them to further their economic development and raise their standards of living. Development assistance describes aid given primarily to promote economic development or otherwise to create or maintain economic or political stability.

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[1] The sections not printed deal with the conclusion of the Consultative Group Meeting; the U.S. loan to the European Coal and Steel Community; devaluation of currency by the Government of Mexico; and, progress of the FCN Treaty Negotiations with the Federal Republic of Germany.

[2] See the editorial note, *supra*.

Aid by Regions On a geographic basis, the division of the proposed program is as follows, in round numbers:

Far East and Pacific	$1,768.9	million
Europe	897.7	"
Near East, Africa and S. Asia	569.1	"
Latin America	47.0	"
Non-regional	165.0	"

Far East The $1,768.9 million proposed for the Far East is just over half of the total proposed for the world and reflects the growing emphasis on that area. The bulk of this amount, $1,333 million or approximately one-third of the world wide total, is programmed for Indochina. This includes $800 million for direct forces support, $308 million for mutual defense assistance, and the remainder for economic matters related to defense support and for technical cooperation. For relief and rehabilitation in the Republic of Korea $241.3 million is requested. For Formosa, funds are proposed for mutual defense assistance, direct forces support, for economic or mutual defense support and a small amount to continue the technical cooperation program there—a total of $172.9 million. Japan is budgeted for $102.1 million in mutual defense assistance. For the Philippines a total of $24.4 million is proposed for development assistance, technical cooperation and mutual defense assistance. Technical cooperation programs are proposed for Indonesia and Thailand, and in addition, Thailand is to receive mutual defense assistance.

Europe The primary means through which the US is attempting to achieve its policy objectives in Western Europe is the assistance it provides its NATO allies and other friendly European nations. This assistance takes the form of: 1) provision of large quantities of military equipment, services and training for these nations' forces; 2) purchase in Europe of a portion of the equipment intended for forces in Europe, i.e. offshore procurement; 3) provision of defense support assistance with which recipient countries can obtain dollar commodities needed to bolster internal defense efforts; 4) direct support of military forces through financing the cost of particular local military projects.

Most of the $897.7 million requested for this area is for mutual defense assistance, with some direct forces support and mutual defense support requested in situations like Spain, Yugoslavia and Berlin. Spain, for example, is allotted $30 million to be used primarily for imports of raw materials and consumables. About half of this is to be in the form of surplus agricultural commodities. The local currency counterpart is to be applied to US base construction costs. West Berlin is to receive $25 million in agricultural surpluses and the counterpart is to be used as supplementary funds for capital investment and risk financing essential to relieve unemployment. To support Yugoslavia's own efforts to maintain a large defense establishment $15 million is proposed, plus $20 million in direct forces support. Economic aid as pure budgetary support has been eliminated for Europe.

Near East, Africa and South Asia US interest in this area, where more than 700 million people or about 30% of the world population live, requires the acceleration of economic development. For this reason, a large portion of the total $569.1 million requested for the area is to be used for development assistance and technical cooperation, with the largest single portion recommended for India. The mutual defense assistance, direct forces support and mutual defense support funds are allotted primarily to Greece and Turkey, with Iran slated to receive $6.9 million in mutual defense assistance.

A tentative country breakdown of the proposed development assistance and technical cooperation programs follows:

Country	*Development Assistance*	*Technical Cooperation*
	Million	*Million*
Egypt	$20.0	$4.4
Ethiopia		1.5
Iran	40.0	10.0
Iraq		2.2
Israel	40.0	1.4
Jordan	10.0	2.2
Lebanon	5.0	2.5
Liberia		1.3
Libya		1.4
Saudi Arabia		1.7
Syria	10.0	
Dependent Overseas Territories	5.0	5.4
Afghanistan		1.6
India	85.0	19.5
Nepal		.8
Pakistan	20.0	6.7

Country	Development Assistance	Technical Cooperation
	Million	Million
Regional		1.2
Undistributed by Country		2.2
UNRWA	(30.0*)	
Total	$235.0	$66.0

*Authorization only. [Footnote in the source text.]

In many of the countries it is planned that part of the aid will be in the form of US agricultural commodities.

Latin America The largest portion of the $47 million in new money requested for Latin America is to be used to continue technical cooperation programs in 19 of the Latin American republics (all except Argentina) and in the Caribbean dependent overseas territories—a total of $23.5 million. The sum of $1.5 million is requested as the US contribution to the technical assistance program of the Organization of American States in the region. In order to continue the emergency program in Bolivia which began this year, $9 million is requested for development assistance. To continue the grant military assistance program under which eight Latin American countries already have entered into bilateral military assistance agreements with the US and under which negotiations are under way with three additional countries, $13 million has been requested.

Non-Regional Programs A total of $165 million is requested for programs which are non-regional in character. Among the purposes for which this sum is requested are: $17.9 million for the US contribution to the UN expanded technical assistance program; $11.7 million for the US contribution to the Intergovernmental Committee for European Migration; $13.5 for the US contribution to the UN Children's Fund; and $3.2 million for the NATO civilian headquarters. Largest items are allotted for administrative costs and for military facilities assistance and mutual special weapons planning.

Proposed Legislation The draft bill proposed by the Administration provides that all of the funds would be appropriated to the President. Existing administrative organization arrangements within the government for administering the program are to remain, and the Foreign Operations Administration is extended until June 30, 1955. The actual bill has combined pertinent existing legislation into one act and provides for repeal of the separate earlier statutes. The Act for International Development which was not emergency or temporary legislation, is among those repealed. This will necessitate Congressional reconsideration of continuation of the technical assistance program when various other parts of the proposed consolidated bill expire. While the draft bill does permit the use of surplus agricultural commodities in our economic aid programs, the major provision for use of our surplus commodities abroad is to be included in separate legislation. Thus, the surplus commodity program under Section 550 of the Mutual Security Act is not proposed to be continued as such.

The President is authorized to transfer up to 10% of the funds available within the first six categories of assistance to any other of the categories. The transferred funds can then be used according to the provisions of the category to which they are transferred. Similarly the President can transfer up to 10% of the funds available under any of the sections or geographic subdivisions of the categories (except mutual defense assistance) to other sections or geographic subdivisions within any of those categories. The President is also authorized to use up to $100 million of any of the funds available under this Act to further the purposes of the Act, and without regard to specific provisions of the Act, when he considers such use important to the security of the US.

. . . .

No. 295

Editorial Note

On June 23, 1954, President Eisenhower transmitted to Congress recommendations for a new Mutual Security Program that included a requested authorization of $3,500 million which the President noted "amounts to approximately a 40% reduction in 2 years" in Mutual Security requests.

The President's request and subsequent Congressional debate took place during the climax of the Indochina crisis of 1954 and the convening of the Geneva Conference on Korea and Indochina, April 26–July 21; for documentation on the conference, see volume XVI. In his message, the President emphasized that 79 percent of the new appropriation request "is for programs essentially of a military nature" and that "dividing the $3.5 billion into areas, approximately $900 million is for Europe, $570 million for the Near East, Africa, and South Asia, $1,770 million for the Far East and the Pacific, and $47 million for Latin America." The President further specifically emphasized that "recent events in Southeast Asia have created grave uncertainty. The security of that region and the interests of the United States and its allies there are clearly endangered." The President also took note of the recommendations of the Randall Commission (see Document 293) by first reminding Congress that he had, three months before, advised that economic assistance on a grant basis be terminated "as swiftly as our national interests would allow", and that this "concept underlies the new" Mutual Security Programs. Nonetheless "more durable undertakings in the field of mutually profitable private investment and trade" took time and effort and some grant aid was still necessary. Finally, the President noted that in the administration of the Mutual Security Program "agricultural surpluses will be used to strengthen the economies of friendly countries and to contribute in other ways to the accomplishment of our foreign policy objectives." (*Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1954*, pages 590-594)

Full House debate on the Mutual Security Act of 1954 began on June 28. Unlike previous years, the Congressional committees did not print the basic data supplied by the Executive Branch, nor apparently, did Secretary Dulles testify on behalf of the legislative program. Stassen testified before the House Foreign Affairs Committee on April 6, "presenting to the Committee the salient facts of President Eisenhower's proposed program of foreign operations for Fiscal Year 1955", but his opening remarks were quite brief and general and no record of his subsequent specific exchanges with committee members regarding the President's proposed program has been found in either Department of State or Foreign Operations Administration files. Secretary Dulles did inform Alexander Wiley, Chairman of the Senate Foreign Relations Committee, on July 22 that the signing of the Geneva Accords on Indochina in no way diminished the need for requested Mutual Security funds for the area. Dulles' letter is printed in Department of State *Bulletin*, August 9, 1954, page 221.

The House passed H.R. 9678 authorizing appropriations of $3,368 million on June 30, 1954. The Senate began debate on Mutual Security appropriations on July 28 and passed a $2,700 million version of H.R. 9678 on August 3. A conference report authorizing $2,800 million was agreed to by the House on August 9 and by the Senate on August 12. (*Congress and the Nation, 1945-1964*, page 173)

In addition to its funding provisions, the Mutual Security Act of 1954 contained several other important provisions. Unlike the Mutual Security Act of 1951 which contained a three-year termination clause, the 1954 Act made no general provision for ending foreign aid; but Congress did stipulate that outright economic aid would end in 1955. Moreover, H.R. 9678 provided for the termination of the Foreign Operations Administration no later than June 30, 1955 and granted the President power to abolish all or a portion of the agency and/or its functions at any time prior to that date. The Mutual Security Act of 1954 was signed by the President on August 26, 1954, as Public Law 665. (68 Stat. 832)

No. 296

700.5 MSP/7–154

Memorandum by Laurence C. Vass of the Office of European Regional Affairs to the Special Assistant to the Secretary of State for Mutual Security Affairs (Nolting)[1]

CONFIDENTIAL WASHINGTON, July 1, 1954.

Subject: Possibilities for Loans in the EUR Area

As you requested, we have explored the possibilities of substituting loans for grant aid in the European area, on the assumption that the Congress makes loans mandatory to an extent that a total of $100–$150 million must be placed in Europe.

Looking first at Defense Support, it would appear that loans to Spain or Yugoslavia are out of the question, for reasons well known to you. On purely economic grounds, it would seem that the Berlin program could be on a local currency "soft loan" basis; however, there is considerable doubt that the political situation will be such as to permit a "take it or leave it" loan negotiation. This must be considered as no more than a possible source for a $25 million loan.

Direct force support involves Yugoslavia and the U.K. The former is clearly not suitable for loan; the latter program was eliminated by the House. If the $75 million should be restored in Conference, there is a fair chance that the U.K. would accept a large portion as a local currency, long-term loan, if they were convinced that the mandatory loan provision forced us to impose this condition. This, of course, is on the assumption that we implement our agreement on further financing of "Plan K". If we do not, the chance of peddling a U.K. loan would be extremely remote.

So far as military assistance is concerned, the small total, and the fact that $200 million is for Spain, the U.K. and Yugoslavia, leaves a very modest total program for countries which might conceivably be requested to accept equipment on a loan basis. * Belgium, Denmark, Germany, Portugal, the Netherlands and Norway certainly have the economic and financial resources to take all of the illustrative Fiscal Year 1955 program on a loan basis. However, these programs total only $100 million. A decision to require 100 percent loans from any of these countries would be considered a major policy change, and lead to damaging charges of discrimination by the countries, bilaterally and within NATO. Only a partial loan would be feasible, at best.

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[1] Copies to Beale, Colbert, Barnett, and Moore.

* Infrastructure, of course, is not loanable. [Footnote in the source text.]

Germany presents a special case. Our large end-item aid program is required because of limitations upon German production, physical and political, rather than because Germany is making an adequate defense contribution from its own resources. Germany certainly could afford to take the small Fiscal Year 1955 program as a loan, and, perhaps, the Fiscal Year 1954 program as well. However, there are two major complications: Germany is peculiarly sensitive to apparent discrimination; and aid will be to EDC, not Germany, if that blessed event occurs. The only possible approach would be to negotiate a partial loan with EDC, and let Germany, Belgium, the Netherlands and Italy conduct their own "burden-sharing" exercise. Of course, if Germany is rearmed outside of EDC, the circumstances at the time will determine whether it will be feasible to adopt a hard-boiled approach and force a sizable loan on Germany.

In summary, on the assumption that the alternative is no aid or loans of $100–$150 million, there are possibilities of reaching this total. Success cannot be guaranteed, and the cost to our foreign policy objectives would be high. I can only conclude that the Administration should do all it possibly can to hold the global loan requirement to about $150 million, as the only reasonably satisfactory answer to this problem.

Because of the early deadline, it was impossible to obtain an EUR position on this memorandum. I am requesting the interested offices to comment directly to your office, if they feel so inclined.

No. 297

740.5 MSP/9–2154: Telegram

The Acting Secretary of State to the Embassy in France [1]

CONFIDENTIAL WASHINGTON, September 21, 1954—6:27 p. m.

Topol 331. Arcab. US NATO Stage 5 Examination. Reference Paris Ecoto A–188, September 3. [2] State-Defense-FOA message. Suggest following general line be taken in explaining why US has reduced defense expenditures.

1. Decline in US defense expenditures is composite result strategic military political economic and administrative factors. They may be grouped under four main headings as follows: a) changes resulting from cessation active hostilities in Korea; b) changes resulting from continuing examination of military strategy necessary to carry out national policies; c) changes resulting from integration new weapons systems into military planning; d) economies resulting from changes in organization and administration of Defense Department.

2. Under impact Korean war US built up military forces much more rapidly than most of its NATO allies, even under limited mobilization. Cessation of active hostilities Korea resulted in termination combat duty pay costs, redeployment some forces, substantial reduction in pipe-line of manpower and supplies to Korea and elimination expenditure of matériel in combat.

3. After cessation Korean hostilities guiding principles underlying reassessment of national security program were:

> a) That US in common with its free world allies must be prepared maintain substantial effective military forces for indefinite period in future and avoid fixed date of maximum readiness;
>
> b) That there would be integration of new weapons systems into US military establishment rapidly as these weapons became available;
>
> c) That effective defense program maintained at high level of readiness for indefinite period of time must have sound mobilization base and must be program which can be maintained indefinitely within framework of growing economy.

4. Accordingly military program presented by President in FY 1955 budget last January and as enacted by Congress in June [3] reflected principles stated above. Military manpower (as shown in US response to Section A of Questionnaire) [4] will be reduced to about 3,000,000 men on active duty and increased emphasis will be placed on reserve component programs. Major matériel requirements in

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[1] Drafted by Mautz and Kranich, cleared by Seymour Weiss and Kaplan, and signed for the Acting Secretary by Joseph Palmer, 2d.

[2] Not printed.

[3] See Document 295.

[4] Documentation on the NATO Annual Review for 1954 is in file 740.5.

view of longer term military objectives (as against fixed date of crisis) have been recomputed and rephased. Planning provides for rapid integration of new weapons systems into active forces. Consideration has been given to fact that over long pull economic strength and growing economy are indispensable prerequisites of sustained military strength.

5. The reorganization of Defense Department and several military departments, institution of sounder procurement procedures and financial and physical property inventory systems, and more effective utilization of military and civilian manpower are resulting in substantial economies in expenditure of funds.

6. All above factors account for decline in US defense expenditures. This decline from Korean war peak has not resulted in decrease in over-all US military effectiveness. On contrary readiness of active forces has improved and over-all effectiveness will continue to improve as more modern equipment becomes available and as our airpower continues to expand.

Believe that you should follow line stated above rather than attempt evaluate relative importance of economic factor in composite picture. However to extent economic factors involved concur in general your suggestion paragraph 3 reftel (a) omitting first sentence on relative importance economic factors (b) modifying second sentence as below and (c) modifying entire paragraph along above line to incorporate concept of strong free world economy to endorse in long haul effort.

Regarding second sentence paragraph 3 reftel suggest modification as follows: It is belief of Administration that very high levels of taxation or substantial deficit financing, while necessary perhaps for brief periods of time, would impair flexibility and expansion potential of American economy if continued for long periods.

SMITH

No. 298

700.5 MSP/12–154

Memorandum by the Special Assistant to the Secretary of State for Mutual Security Affairs (Nolting) to the Secretary of State [1]

SECRET WASHINGTON, December 1, 1954.

Subject: NSC Meeting on the FY 1956 MSP

Discussion:

At the NSC meeting on Friday, December 3, [2] the Council will discuss FY 1956 Budget Considerations. At that time an oral presentation will be made on military and non-military parts of the FY 1956 Mutual Security Program.

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[1] Drafted by George S. Newman.

[2] For a record of this meeting, see Document 300.

A. Military Programs

On the military side, we understand that Defense will propose that the Executive Branch request $700 million for FY 1956 and the reappropriation of unexpended balances from old funds. This estimate is based on certain budgetary and fiscal factors which are discussed in Tab A. These factors are (1) expenditure rates, (2) program objectives and requirements and (3) use of Defense funds for "lead time" financing.

Generally, the Department should not argue that any specific sum of money should be requested for military assistance in FY 1956 solely for reasons of foreign policy. The determination as to the funds required is essentially a Defense judgment if the funds are adequate to assure attainment of the program objectives. However, the Department should not accept the Defense estimate until we have received adequate answers on the following points:

1. That the proposed level of expenditure of $3.3 billion in FY 1956 represents the best balanced distribution of U.S. production between domestic and foreign military requirements and that proper weight has been given to the international situation and commitments to our allies;
2. That there will be an agreed level of programs for FY 1955/56 which would be used as the basis of discussion with our allies on the extent of U.S. aid and that Defense will undertake active procurement against those programs without regard to the availability of military assistance funds;
3. That the Budget Bureau will agree to the principle of Defense funds being used to finance procurement lead-time for common use items required by military aid programs, without tying up MDAP funds for this purpose;
4. That the proposed estimate will be adequate to finance fixed program costs, OSP costs and procurement costs of non-common items;
5. That the Executive Branch will be prepared to support future military aid appropriations to reimburse Defense for deliveries of common-items to the military assistance program.

I have discussed these points with Mr. Stassen, who agrees with this approach. I have also mentioned to Mr. Hensel that I would recommend that you raise these questions. He said that he would welcome a discussion of them in the NSC.

B. Non-Military Programs

On the economic side, the Department should generally support Mr. Stassen whose presentation will reflect the decisions reached in your office on Tuesday, November 30 (Tab B). In this connection you may wish to point out the following considerations:

1. That, in connection with the current review of basic national policy, we will wish to examine the question of whether we should continue to build up military forces in friendly countries beyond their economic capacity to support such forces without the injection of considerable economic aid by the U.S.;

2. That, after the review of our basic national policy and the nature of the threat, we may wish to consider whether the present distribution of resources between military and non-military aid reflects the proper balance;

3. That, before presentation of these programs to Congress, we may wish to consider further the forms and techniques through which we extend non-military assistance—e.g., a U.S. "soft loan" institution, continuation of FOA in FY 1956, use of regional institutions, etc.

Recommendation:

That you support Mr. Stassen on the presentation of the non-military activities for the purpose of reaching a one-line budget estimate; with respect to the military aid, you seek to have Defense furnish answers or assurances on the points set forth above prior to agreeing to any specific new fund request for military aid.

Tab A

Memorandum by George S. Newman of the Office of the Special Assistant to the Secretary of State for Mutual Security Affairs

Subject: FY 1956 Military Assistance Program

The Department of Defense will probably propose that the Executive Branch request $700 million in new funds for FY 1956 and the reappropriation of all unexpended balances from old funds. We understand that Defense feels that, from a purely budget and fiscal point of view, no new financing of military assistance is required in FY 1956 but is prepared to request the $700 million which it considers is in the nature of a contingency fund.

This estimate reflects the Defense desire to place the military assistance program on a "pay-as-you-go" basis whereby the program would seek appropriations to finance only those deliveries made in the fiscal year. The costs of procurement prior to delivery would be met from Defense funds. Upon delivery of items to MDAP, Defense would be reimbursed from military assistance funds.

The validity of the estimate of $700 million is dependent upon a number of factors, of which the major ones are as follows:

Expenditure Rate

The $700 million estimate is based on the assumption that, in FY 1956, expenditures (and deliveries) will be approximately $3.3 billion, which is slightly above the rate achieved in FY 1954 and projected for FY 1955. This expenditure rate is based on the further assumption made by Defense that, with respect to U.S. production, there will be no change in current mobilization base policies or in present priority and allocation policies between domestic and foreign defense requirements. The acceptance of this assumption automatically operates to set physical limitations on the military matériel available for our allies.

We do not have sufficient information on the production picture to permit a judgment on whether the Defense proposal represents the best balanced distribution in light of our national security objectives. It should be noted that the projected FY 1956 expenditures largely reflect meeting commitments made during the FY 1950–1954 period and do not take into account to any significant degree commitments for military aid made during the current fiscal year, bilaterally (Turkey, Pakistan, etc.) or multilaterally (NATO Annual Review). While shifts can be made to meet these newer commitments, it will involve our failing to complete on schedule some part of the 1950–1954 commitments.

A major consideration relating to the expenditure rate is whether, in your judgment, the projected world situation, including rearmament of Germany and the additional tensions this may generate, justifies an increase in foreign military assistance expenditures and deliveries.

Program Objectives and Requirements

Within NSC policy, supplemented by guidance from the Secretaries of State and Defense, the JCS have developed 1956 military objectives, criteria and force goals. Based on this JCS guidance, the military service departments have prepared deficiency programs which, if met by U.S. military aid, will enable our allies to have combat effective forces by the end of 1956 at a level the JCS deems desirable from a U.S. security point of view.

The 1950–1954 military assistance programs (approximately $17.2 billion) represent substantial progress in meeting these deficiencies, and funds have been made available to Defense to finance these programs. However, the services estimate 1955–1956 deficiencies at approximately $4.9 billion which should be met to fulfill the JCS force goals. While the program level for FY 1955–1956 is estimated by the services at $4.9 billion, this figure contains deficiencies which the services themselves consider can be deferred or are relatively infirm. Based on the presentations made by the services, approximately $3.5 billion represents reasonable deficiencies which should be programmed in FY 1955–1956. To finance these deficiencies, $1.2 billion was appropriated in FY 1955 and Defense is requesting $700 million for FY 1956. It is estimated that certain fixed charges and fund losses due to new legislation on financial procedures will substantially reduce the funds available for end-items and training in 1955 and 1956.

If the military buildup of our NATO and other allies is not to be disrupted and brought to a slow stop, we should be able to discuss with our allies and assure them of aid beyond that contained in the FY 1950–1954 programs. This aid is represented by the FY 1955–1956 program of $4.9 billion which, under Defense's plans, would be financed only in part through FY 1956.

It is essential that the Ambassador and the MAAG be in a position to discuss with the foreign government the extent of U.S. military aid during FY 1955–1956 if the forces which we consider essential qualitatively and quantitatively, from a U.S. security point of view, are to be developed. Agreements on the aid to be furnished would have to be reflected in Defense procurement plans to assure the timely arrival in the hands of our allies of the needed equipment. If the military assistance program is placed on a "pay-as-you-go" basis, such procurement would have to be undertaken without regard to the immediate availability of military assistance funds for the initiation of procurement, but on the understanding that the necessary military assistance appropriations to reimburse Defense would be sought in the year the deliveries are to be made.

A major consideration here is to reach agreement on the level of deficiencies (approximately $3.5 billion) which it is expected that the U.S. would meet through the military aid program for the FY 1955–1956 period. This level would serve as the basis for developing programs which our Ambassadors and MAAG's could use in their discussions, bilaterally or multilaterally, with our allies as the U.S. contribution to the buildup of mutual military strength. Against these programs, it is essential that Defense agree to undertake procurement to assure delivery of equipment in accordance with the buildup needs for our allies.

Financial and Budgetary Factors

The Defense estimate of $700 million for FY 1956 military aid is based largely on the assumption that Defense funds would be used to cover the costs of financing the procurement of common Defense-military assistance program items against FY 1956 and future military aid program requirements ("lead-time" financing), and that the military aid program appropriations would be on a "pay-as-you-go" basis. These assumptions represent a radical change in the administration of the military aid program. For this new system to function satisfactorily, it will require (1) the agreement of the Budget Bureau to permit Defense to use its funds in this manner, and (2) a change in attitude on the part of the Service Departments and their procurement officers, who are naturally reluctant to tie up service funds in contracts which do not directly carry out the services' own procurement programs, and (3) full explanation of this new procedure to the Congress, particularly with respect to the implications for future appropriations. In the event the "lead-time" financing principle is accepted, it will require that at some future date we will have to ask Congress to appropriate funds for military assistance significantly in excess of the $700 million proposed for FY 1956.

It should be noted that this technique of financing is applicable only to those items which are common to Defense's own domestic program and the military aid program. We have not received sufficient data to enable us to make a judgment on the adequacy of the $700 million in new funds to meet fixed costs, OSP costs and the costs of the procurement of non-common items.

The major consideration here is whether the Budget Bureau concurs in the use of Defense funds for "lead-time" financing; whether Defense will take the necessary administrative measures to assure the success of this technique, and whether the $700 million is adequate to meet the costs of the programs which are not covered by the "lead-time" financing principle.

Tab B

Paper Prepared in the Office of the Special Assistant to the Secretary of State for Mutual Security Affairs [3]

MUTUAL SECURITY PROGRAM SUMMARY OF FISCAL YEAR 1956 BUDGET RECOMMENDATIONS NON-MILITARY ACTIVITIES (4 MILLIONS)

Area	*Direct Forces Support*	*Defense Support*	*Development Assistance*	*Technical Cooperation*	*Other*	*Total*
Europe	—	*75.0	—	—	$25.0	$100.0
Near East, Africa and South Asia	$45.0	190.0	$235.0	$67.4	—	537.4
Far East and the Pacific	567.0	517.0	—	24.0	†250.0	1,358.0
Latin America	—	—	23.0	‡31.5	—	54.5
Other	—	—	—	9.0	122.5	131.5
Global Contingency	—	—	—	—	150.0	150.0
Grand Total	612.0	782.0	258.0	131.5	547.5	§ 2,331.4

*Includes European Technical Exchange. [Footnote in the source text. A handwritten notation on the source text at this point reads: "Spain—23+2 (TE): Jugo—25+15 (DFS)+1 (TE): TE—10."]

†Contribution to Asian regional economic organization. [Footnote in the source text.]

‡Includes $1.5 million for contribution to Organization of American States Technical Assistance program. [Footnote in the source text.]

§ An additional $200 million will be requested for transfer to Defense to replace military assistance funds diverted to non-military purposes in FY 1955. [Footnote in the source text.]

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[3] Drafted in S/MSA; the drafting officer is not identified.

No. 299

700.5 MSP/12-254

Memorandum by the Director of the Office of European Regional Affairs (Moore) to the Assistant Secretary of State for European Affairs (Merchant) [1]

SECRET WASHINGTON, December 2, 1954.

Subject: NSC Meeting on the Fiscal Year 1956 MSP

1. The attached memorandum from Mr. Nolting to the Secretary [2] recommends views to be taken on the subject by the Secre-

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[1] Drafted by Kranich.

[2] Reference is to the memorandum of Dec. 1, *supra*.

tary at the NSC meeting. A copy of the RA draft memorandum on this subject,[3] which we discussed Tuesday afternoon,[4] was made available to S/MSA with an indication of your general concurrence.

2. In general Nolting's views follow very closely those set out in our memorandum, except for two points which in our judgment have not been adequately covered. They are:

a. our suggestion that the Defense proposal to put the MDAP program on a "pay-as-you-go" basis be fully explained to the Congress in terms of future appropriation implications;

b. consideration of the effect of the "new capabilities study" on NATO equipment requirements and U.S. aid to support such requirements.

3. Further, we would suggest that in connection with current review of basic national policy, we should examine the question of whether we should continue to build up military forces in friendly countries beyond their own capacity to support such forces not only in terms of our need to continue considerable economic aid but also in terms of our willingness to maintain these forces equipment-wise in an up-to-date manner. The United States will need to make a forthright statement at the Ministerial Meeting[5] on its future aid policy concerning NATO countries, and any specific guidance from the NSC as to what we could tell our NATO partners, particularly in view of the U.S. position on the "new capability" concept,[6] would be most useful.

4. It is our understanding that the Secretary will be briefed on this subject around noon today (December 2).[7] The briefing on Tuesday was not completed; the military portion of the aid program was not discussed.

Recommendation:

You may wish to arrange to attend the further briefing of the Secretary today and raise the points set forth above.

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[3] Not found in Department of State or Foreign Operations Administration files.

[4] No record of this meeting has been found in Department of State or Foreign Operations Administration files.

[5] For documentation on the Fifteenth Ministerial Meeting of the North Atlantic Council, see vol. v, Part 1, pp. 549 ff.

[6] For documentation on the "new capability" concept for NATO, see *ibid.*, pp. 482 ff.

[7] No record of this meeting has been found in Department of State or Foreign Operations Administration files.

No. 300

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 227th Meeting of the National Security Council, Friday, December 3, 1984 [1]

TOP SECRET EYES ONLY

The following were present at the 227th meeting of the National Security Council: The President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Director, Bureau of the Budget; the Chairman, Council of Economic Advisers (for Item 2); Assistant Secretary of Defense McNeil (for Item 2); Assistant Secretary of Defense Hensel (for Item 2); the Secretary of the Army (for Item 2); the Secretary of the Navy (for Item 2); the Acting Secretary of the Air Force (for Item 2); the Deputy Director, FOA (for Item 2); the Deputy Director, Bureau of the Budget (for Item 2); Mr. John H. Ohly, FOA (for Item 2); the Chairman, Joint Chiefs of Staff; the Chief of Staff, U.S. Army; the Acting Chief of Naval Operations (for Item 2); the Chief of Staff, U.S. Air Force (for Item 2); the Commandant, U.S. Marine Corps (for Item 2); the Director of Central Intelligence; Robert Cutler, Special Assistant to the President; the Deputy Assistant to the President; the White House Staff Secretary (for Item 2); the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

There follows a summary of the discussion at the meeting and the main points taken.

[Here follows discussion of agenda item 1, "Review of Basic National Security Policy".]

2. FY 1956 Budget Considerations (Memo for NSC from Executive Secretary, same subject, dated December 3, 1954;[2] NSC 5422/2;[3] NSC Action No. 1278[4])

Mr. Cutler called on Admiral Radford to read his report on the recommendations of the Joint Chiefs of Staff regarding personnel strengths and major force and manning levels for FY 1956. Admiral Radford's report (copy filed in the minutes of the meeting) indicated that these levels would remain at about the same point as in the current fiscal year, with a total of 3,045,000.

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[1] Drafted on Dec. 4.

[2] Not printed.

[3] For text of NSC 5422/2, "Guidelines Under NSC 162/2 for FY 1956," dated Aug. 7, 1954, see vol. II, Part 1, p. 715.

[4] NSC Action No. 1278, "AEC Budget Consideration for Fiscal Year 1956," took place during the course of the 226th meeting of the National Security Council, Wednesday, Dec. 1, 1954. At that time, the NSC "Noted an oral presentation by the Chairman, Atomic Energy Commission of the Atomic Energy Commission budget program for Fiscal Year 1956". (S/S-NSC (Miscellaneous) files, lot 66 D 95, "Records of Actions by the National Security Council, 1954")

Assistant Secretary of Defense McNeil then made an oral presentation on the status of estimated expenditures and new obligational authority for the military program during FY 1956. He made use of a chart entitled "Department of Defense Expenditures for Military Functions Since Korea, Fiscal Years 1951–1956" (copy filed in the minutes of the meeting).

At the conclusion of Secretary McNeil's presentation, the President asked him what mechanism existed in the Defense Department for assuring a reexamination of all these housekeeping matters, and how effective was it?

Secretary McNeil replied that the mechanism was not as satisfactory as it should be. Much of this work had to be done by the individual Services. As for the Office of the Secretary of Defense, that function comprised a substantial portion of the total duty of the OSD.

The President went said he on to say that when he had been Chief of Staff he had been able to find very little time for such matters, and he therefore wondered how effective the searching-out process now was. For example, was the decision as to military manning levels strictly a Service decision?

Secretary McNeil answered that the manning levels were initially based on the recommendations of the Joint Chiefs of Staff. With regard to civilian personnel, these levels were examined by the Office of the Secretary of Defense and the decisions were made on civilian levels at the time that the budget estimates were prepared. This system had been established only last year. It was not perfect, but it was improving notably.

Secretary Wilson explained in somewhat greater detail the process of reaching decisions on manning levels for the armed forces and on manpower utilization generally. The mechanism in the Office of the Secretary of Defense was designed to work with the Services and to point out to them where they could make savings. The various Assistant Secretaries who had oversight of this job were, of course, not very popular with the Services. Secretary McNeil himself was not very popular with them, but the only way to get down costs was to keep on probing, questioning, and suggesting. Requests for obligational authority, continued Secretary Wilson, were also affected by what Congress did. Congressional action often required another mark-down of the force levels which the Defense Department thought desirable. Secretary Wilson said that the Congress ordinarily cut the Defense Department requests for appropriations by about $1 billion in each fiscal year.

The President then said he wished to comment about the "new programs" to which Secretary Wilson had referred. He said he hated the term "fringe benefits", but these were programs that the Council could count on his supporting, with the exception of a general military pay increase, about which he was less sure. However, the programs for housing, medical care, retired pay, and especially survivor benefits, were fine programs.

Dr. Flemming inquired of Secretary McNeil relative to the status of the mobilization base. Were these programs reflected in the figures to be attained by July 1, 1957? Secretary McNeil replied that all these programs were included in the high figure, but not all in the low figure.

Mr. Cutler then called on Governor Stassen to present the mutual security program, which Governor Stassen did with the assistance of a number of charts (copies filed in the minutes of the meeting). Governor Stassen indicated that the obligational authority he would request for FY 1956 would amount to $3.4 billion, which included the military assistance program.

Governor Stassen was followed by Assistant Secretary of Defense Hensel, on the current status of estimated expenditures and new obligational authority for the military assistance program for FY 1956.

At the conclusion of Secretary Hensel's report, the President asked the Secretary of State to comment on his and on Governor Stassen's program.

Secretary Dulles said that as he understood it, a strong effort was being made to get these programs on a "pay-as-you-go basis". While this might be very commendable from the domestic point of view, Secretary Dulles said he was greatly concerned over the impact of such an approach on our international relations. Our allies and the NATO powers have to plan ahead. In the past, the Department of Defense had never wanted to give advance commitments to these allied nations without assurance of having funds available to carry out these commitments. If we now, however, proceed on this new pay-as-you-go basis, what will be the effect on our allies? Will the Defense Department agree to take advance commitments to these allies for military assistance even if funds to execute the commitments have not been appropriated? If not, the effect on our allies would be serious indeed.

Secretary Wilson, referring to the problem of carry-over of funds from fiscal year to fiscal year, insisted that we were at present trying to correct our past mistakes too rapidly. It was certainly open to question whether the Defense Department could operate on the basis of a single year's funds. His feeling was that we have ourselves "marked down too close". No military aid was apparently earmarked for Europe in the military assistance program, and yet there was no certainty that we would not find ourselves obliged to provide European nations with some military assistance. For example, no one is quite sure yet as to what we will have to provide for German rearmament. Secretary Hensel interrupted to state that we had just presented the German Government with a package proposal with regard to our contribution to the build-up of their defenses.

Governor Stassen expressed his agreement with the general position of Secretary Wilson. We were, he said, "on the low side" in this financing if we plan any considerable amount of military assistance during the Fiscal Years 1958 and 1959.

The President said that the State Department and the military should provide some general idea of the military end items which might be required in the Fiscal Years 1958 and 1959.

Secretary Dulles commented that much would depend in this area on the question of new weapons. If these are to be used widely in Europe, the United States would of course have to supply them. It would be different if our plans in Europe are based on conventional weapons.

Secretary Wilson said that another significant defect in the military assistance program was that no allowance was made for repeat orders for offshore equipment. He said his off-the-cuff conclusion was that we ought to have an additional $500 million in the military assistance program. Secretary Hensel agreed with Secretary Wilson that the present budget was close to the bone on military assistance.

The President likewise thought that this was getting a little too close for comfort if the United States did propose to make deliveries of military end items in 1958 and 1959, and said he wished to talk the matter over further with Defense.

Secretary Dulles pointed out that the problem did not involve expenditures as such at all, but rather whether you could plan ahead on the basis of appropriations. If the present program were adopted it would either mean that you could not plan ahead or that if you did plan ahead you would plan without any assurance of being able to deliver the goods.

Governor Stassen admitted that there could be no doubt that the military assistance program was premised on the assumption that the European nations would be taking up a much larger portion of the costs of their own defense in future fiscal years. Of course, if you altered that premise you would automatically increase your funding needs.

Admiral Radford said that he wanted to underline what the Secretary of State had said as to the extreme difficulty of negotiating with our allies on the present basis of pay-as-you-go.

Secretary Wilson said that in sum the present program contemplated "weaning our military babies too quick". If you ask Congress for appropriations of $3.4 billion and they learn that only $900 million of that total is for military assistance, they would promptly cut down on the other programs for which the $3.4 billion was asked. Governor Stassen, however, thought that Congress was beginning to understand the concept of "defense support".

The President said that he certainly believed that there should be some increase in new obligational authority for the military assistance program. Indeed, he would even prefer to sacrifice the $150 million earmarked as an emergency fund for himself, and add that $150 million to the military assistance program, much as he liked the prospect of his emergency fund.

Secretary Wilson said that he had one more point to make. There was a question whether we had in our stockpile reserves the materials that might be needed to help to supply our allies. Therefore, before we undertook to stop offshore production, we'd better see to it that the result will not be serious potential shortages abroad. Moreover, it was better to have "this stuff" already over there than to have it stored here, because of the difficulty of the transport problem. The President agreed with Secretary Wilson that it would be most desirable if our NATO allies were able to see themselves through the early stages of the emergency.

[Here follow a one-sentence account of the presentation of the prevailing budgetary situation and outlook and a brief summary of NSC discussions, actions, and recommendations.]

S. Everett Gleason
Deputy Executive Secretary

THE CHIEFS OF MISSION MEETING AT LONDON, SEPTEMBER 24-26, 1952

No. 301

Editorial Note

On August 22, 1952, Under Secretary of State Bruce sent a personal telegram to Ambassadors Gifford, Dunn, Draper, Bunker, Kennan, and Donnelly, informing them of his desire to hold a meeting in London at which the present situation in Europe would be examined in order to make recommendations to the Secretary of State for further steps which the United States might take to strengthen its position. Bruce stated his intention of keeping the number of participants small and outlined a tentative agenda. (Telegram 1267 to London, August 22, repeated to Paris, Rome, Moscow, and Bonn; 120.4341/8-2252) Concerning the agenda and the background papers prepared for the meetings, see the briefing memorandum, September 18, *infra*.

No. 302

CFM files, lot M-88, "London Ambassadors Meeting—Sept. 1952"

Briefing Memorandum Prepared for the Under Secretary of State (Bruce) [1]

TOP SECRET [WASHINGTON, September 18, 1952.]

Purpose of meeting

Although this meeting of Chiefs of Mission will be represented in the press as one of the series which has been held periodically since 1949, the nature and scope of the discussion will go beyond the usual agenda for meetings of this type. Its purpose will be to define the problems which lie ahead in our policy of blocking further expansion by the Soviet Union and to examine the stresses and strains in the organization of European defense in order to strengthen our position and to improve the defenses of the free world. The recommendations made at the conclusion of this meeting will be useful in providing a framework for informing the incoming administration exactly what we face in Europe and recommending what steps might be taken to achieve our objectives.

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[1] This briefing memorandum, presumably drafted in the Bureau of European Affairs, was used as an introduction for a notebook with background papers prepared for the use of Under Secretary Bruce who was to serve as chairman of the Chiefs of Mission meeting in London. None of the papers cited in the text below is printed herein; for information concerning these background papers, see footnotes 2-12, below. Copies of these background papers are in CFM files, lot M-88, "London Ambassadors Meeting—Sept. 1952", and in Conference files, lot 59 D 95, CF 121.

In doing this, it will be necessary to deal with short-term problems which exist now or will require decision during the NATO ministerial meeting in December. But, we must also anticipate and define the long-term problems of the organization of Europe to meet the Communist threat in order that our current and future operations take into account our present strength and the direction in which we are headed.

The agenda is designed to encourage a discussion of this type. Only a few problems are listed specifically. Until now, the chief question we have faced was to determine ways and means to block any further Soviet aggression in Europe or any further expansion of their power. The next step, however, is equally important. Can we organize Europe and meet the Soviet threat in such a way as to weaken the Soviet position, thereby convincing the Kremlin that its present policy is so dangerous that it must be modified, resulting in a rollback of Soviet power in Europe. There are risks in such a policy, but any dynamic policy involves a risk. Unless we can have a dynamic policy, we run another and equally dangerous risk that our organization for mutual defense will be weakened by internal strains to such an extent that local actions by the Soviet Government will be possible in the peripheral areas.

Therefore, the main questions we face may be stated as follows:

1. Under what conditions and in what manner can the West attempt to weaken the present Soviet position in Europe and what risks will be involved in doing so.
2. How can the unity of Europe be developed and maintained, within the larger framework of the Atlantic Community, in order to serve as an effective deterrent to Soviet aggression, either on a general or local scale. Are US programs contributing to the development of a suitable European unity.
3. Are the present US programs of military and economic assistance adequate in providing the basis for mutual defense. If not, what programs should we adopt.
4. How can German strength be utilized in the system of Western defense without weakening the political and economic structure of Western Europe by the creation of mutual resentment and suspicion. How can we deal with the key problem of German unification after the ratification of the EDC.

These problems, stated in very general terms, are the basic ones we face in Europe. During the discussions on specific areas and specific fields of political, economic and military activity, they can be given precise and definite form. The discussion will revolve about two points: what can we expect from the Soviet Union in the future, and what can be done in Europe.

A number of specific questions might be raised for discussion with the participants. Some of these questions are listed below. No attempt has been made to provide answers for these questions although many of them are discussed in the briefing papers. Their purpose is to provoke discussion of basic issues at the meeting and, in doing so, to provide the answers.

Questions which might arise during the conference

I. Soviet Union

Kennan has not yet commented on the agenda proposed on August 22 except to approve it in general terms. He has drafted a paper on the Soviet attitude towards NATO which has been sent to the various posts. See Tab M. [2]

In determining the adequacy of our policy towards the Soviet Union, some of the following questions might be raised:

Our policy paper (Tab A [3]) calls for consideration of means for the general weakening and the decay of Soviet power and for the development of rifts between the USSR and the satellite states in order to weaken and reduce the Soviet orbit. Precisely how can Moscow's control over the satellites be weakened? What satellite states would be most susceptible to a policy having this objective? What wedges can be driven between the satellites themselves to weaken the unity of Soviet control?

How far can we push in the development of our program for bases in the peripheral areas without provoking Soviet retaliation?

How do the Soviets propose to deal with the ultimate problem of German unification knowing that East Germany is inferior in numbers and strength to the Federal Republic? (Tab B [4]) If their objective is to obtain a unified Germany either under Communist control or friendly to the Soviet Union, how do they propose to achieve this goal? They must recognize that an anti-Communist unified Germany would completely swing the balance in Europe against the Soviet Union. What risks therefore are the Soviets willing to take with respect to German unification?

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[2] Tab M, not printed, is despatch 116 from Moscow, Sept. 8, 1952, in which Kennan evaluated the attitude of the Soviet Union toward the Atlantic Pact. The text of despatch 116 is printed in Kennan's *Memoirs*, vol. II, pp. 327–351.

[3] Tab A, not printed, is a 4-page policy paper with recommendations concerning a reappraisal of the sources of strength of the United States and the ways they might be utilized in meeting the Soviet threat.

[4] Tab B, not printed, is a brief summary of Soviet policy toward Germany prepared in the Office of German Political Affairs and circulated as document LAM D-3/3.

In view of the intensity of the Soviet reaction to MAINBRACE, would other demonstrations of Western force be desirable or helpful in pursuing our objective of deterring Soviet aggression? Is so, in what areas should such a demonstration take place? . . . Would a demonstration of force in Berlin be helpful? (Tab C [5])

II. United Kingdom

In recent months there have been many indications of a growing timidity and fear in British foreign policy, particularly an unwillingness to take any action which might provoke the Soviet Union. Is this timidity due to any new orientation in international policy or is it the result solely of internal political difficulties? Can we expect, for example, a return to previous British policy now that the Labor Party has rejected the Bevan proposals?

The British have raised the question of reduction of forces in Germany and Austria unless a solution can be found to provide for their upkeep or to increase the German contribution to mutual defense. Is this desire to reduce military activity abroad due solely to economic factors or does it reflect a change in emphasis on British responsibilities abroad? If it is the former, how can we help prevent a decrease in British military effort abroad?

III. France

Ambassador Dunn's telegram 1520, September 11 (Tab E [6]), raised two important questions which he stated might be discussed. In the first place, the Germans may be expected to point out that the contractual relationship with the US, UK and France is not compatible with the equality which would be accorded to Germany in a political federation. Dunn states that if any idea is expressed that the contractual controls would disappear after the ratification of the EDC, that ratification by France would be seriously in danger.

He raised the question whether US relations with Germany might not be revised in order to insure that our continuing leadership in the Atlantic Community would be carried into our association with the European Community. This telegram is contained in the briefing book and the problem is discussed in the paper on "Germany's Position in Europe After Ratification." (Tab F [7])

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[5] Tab C, not printed, is a 5-page discussion of the Berlin problem prepared in the Office of German Political Affairs and circulated as document LAM D-3/1.

[6] Tab E, not printed, contained questions which Dunn thought should be discussed in the proposed Chiefs of Mission meeting at London.

[7] Tab F, not printed, is a 7-page paper prepared in the Office of German Political Affairs and circulated as document LAM D-3/4.

Another question which might be taken up is the perennial one whether France is capable in a political and economic sense of maintaining its present contribution to NATO and fulfilling its responsibilities in opposition to communism outside of France.

We have been putting continual pressure on France on a variety of questions, such as Germany, Tunis, Morocco, expansion of the armaments industry, Indochina, and many others. What effect will this continuing pressure have upon French political orientation? Will it contribute ultimately to the development of a neutralist spirit? Will it affect adversely French political stability? What can the US do to balance its pressures in France? Should we relax our pressures on the whole field listed above and concentrate on the more important aspects of the French role in European life?

How real are the French fears concerning the expanding economic strength of West Germany? How do the French propose to deal with the problem of the expansion of German strength, the introduction of its armed forces into Western defense and the utilization of its armaments industries? Do they fear that France ultimately will be replaced by Germany as the leader of the Western European Movement? Would France wreck the Western European defense system to prevent such a development?

IV. Germany

Donnelly's excellent telegram 887, August 28 (Tab G [8]), contained in the briefing book, has given rise to much comment. It raises the question of the resurgence of German productivity and vitality and the difficulties which this will create in Western Europe by upsetting the balance of power between Germany and France. Donnelly also raises the question of the effect of this German dynamism on Eastern Europe in that it will tend to make the denial of the Eastern territories more intolerable to the Federal Republic. It raises finally the unity question and urges a positive policy on our part in rolling back Soviet power and obtaining during this process the ultimate unification of Germany. This telegram poses some of the key questions for the future of European politics and should be the subject of detailed discussion. It involves such problems as the reconciliation of Franco-German difficulties over the Saar. (Tab H [9])

The problems raised by Donnelly might be discussed in the following order:

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[8] For text see vol. VII, Part 1, p. 355.

[9] Tab H, not printed, is a 3-page paper prepared in the Office of German Political Affairs and circulated as document LAM D-3.

What can be done to speed up the work on the interim EDC Committee to assure prompt action on German association with the West. (Tab I [10])

How can the necessity for action on ratification of the EDC and contractuals be further impressed upon the Germans since we cannot expect other European nations to take similar action until approval has been given by the Federal Republic. How should we deal with Eastern Germany? Should we attempt to squeeze Eastern Germany and reduce its economic value to the Soviets as well as its war potential? Could this be done by such simple devices as encouraging the defection of Eastern Germans from the People's Army?

Following the ratification of the EDC, how will we deal with any possible German request for full membership in NATO?

Finally, what thoughts have we on the question of unification of East and West Germany? Pending the roll-back of Soviet power, what interim measures could be taken aside from the exchange of diplomatic notes which would encourage this goal and insure that a unified Germany would be on the Western side?

V. Italy

How real is the Communist threat in Italy? If a Nenni type government comes into power in the next elections, will it withdraw Italy completely from the Western European picture? Would a victory by the Nenni forces encourage similar forces in other European states?

Should we encourage a closer *rapprochement* between Italy and West Germany? Aside from any substantive value which closer bonds might have, could such a *rapprochement* be used to bring pressure on France to reconcile its differences with Germany?

Could Italy be used to promote the cause of European integration? Italy is outside the Franco-German complex and is not necessarily affected by Franco-German differences.

Could we revive the Italian policy of negotiating customs unions with neighboring states such as France and Austria?

European Political Integration

The paper on the European Political Community raises a number of points which will require intensive discussion. (Tab J [11]) The basic questions are:

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[10] Tab I, not printed, is a 6-page paper concerning the German contribution to the defense of Western Europe prepared in the Office of German Economic Affairs and circulated as document LAM D-3/2.

[11] Tab J, not printed, is a brief 3-page paper prepared in the Office of European Regional Affairs and circulated as document LAM D-2/1.

(a) What type of integration in Europe would best suit our interests in building an effective and efficient deterrent to Soviet aggression?

(b) How can we assure that such an integrated Europe would have positive and dynamic objectives rather than being merely a defensive or third force movement?

(c) What is the best means whereby the US may maintain contact with the Community of Six, both in terms of representation and in our foreign aid legislation, without slighting the larger interests of the Atlantic Community? (Tab K [12])

(d) Should we push the Community of Six rapidly through a transitional state until the different national sovereignties are merged into one state?

(e) Is the Community of Six the best way to deal with the German problem? How long can we expect it to be an adequate device for absorbing Franco-German differences? What will replace it if it proves to be inadequate for channelizing the expanding German strength into mutual efforts for defense.

(f) How can we prevent our policy of support for the Community of Six from weakening our present close relations with the UK? Should we associate ourselves with British efforts to provide a link with this group without incurring responsibilities of close association, or should we oppose the Eden Plan? Will we continue to support the UK and its economic associates on the same level we do at present or concentrate on an integrated Europe?

Conclusions

The final report of the conference might be a series of recommendations based, for convenience, around the four questions listed earlier. These recommendations should propose positive steps which can be taken in these fields over a long-range period. They will be useful in determining precisely how our basic policy papers can be implemented.

The recommendation can be composed around the following points:

1. The adequacy of our policy towards the Soviet Union and the course of action to be followed in seeking a decrease in Soviet power in Europe.
2. What kind of a unified Europe do we seek which takes into account both the larger interests of the Atlantic Community and its positive value in preventing Soviet aggression and obtaining a modification in current Soviet policy.
3. How can we obtain a unified military program in Europe without sacrificing the present momentum in mutual defense efforts or creating strains which will weaken or destroy the regional organizations.

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[12] Tab K, not printed, is a 6-page résumé of the problems in the European military build-up prepared in the Office of European Regional Affairs and circulated as document LAM D–2/2.

4. What are we going to do about Germany, both in terms of uniting German productive abilities with Western efforts and solving the problem of German unity which will be a disruptive force in European diplomacy as long as the present division continues to exist.

The detailed form of these recommendations can be given only in the light of the discussion and the agreement which is reached.

No. 303

Conference files, lot 59 D 95, CF 121

Summary Minutes of the Chiefs of Mission Meeting, London, September 24–26, 1952 [1]

TOP SECRET [WASHINGTON,] October 2, 1952.

Participants:

From the Department:
Under Secretary Bruce
Assistant Secretary Perkins
Mr. McWilliams
Mr. Williamson
Mr. Ferguson
Mr. Morris

Embassy London:
Ambassador Gifford
Mr. Holmes

Embassy Paris:
Ambassador Dunn
Mr. Achilles

Embassy Moscow:
Ambassador Kennan
Mr. O'Shaughnessy

Embassy Rome:
Ambassador Bunker
Mr. Horsey

HICOG Bonn:
Ambassador Donnelly
Mr. Reber

SRE:
Ambassador Draper
Ambassador Anderson
Ambassador Merchant

SESSION OF SEPTEMBER 24TH—MORNING

Mr. Bruce pointed out that this session was one of a regular series of meetings of Chiefs of Mission. He hoped that the conference would agree on general policy recommendations to be made to the Department. The meeting should concentrate on things to be done in the future. The recommendations would be used as a guide for the present Administration in making its recommendations for the 1953 budget as well as in recommending specific action which will have to be taken within the framework of NSC 135. [2]

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[1] These minutes, along with a cover sheet and a table of contents, were circulated as document LAM Minutes. The drafter has not been identified. A summary of this 3-day meeting was transmitted to the Department of State in telegram 1804 from London, Sept. 27, and the text of this telegram was subsequently repeated to the Embassies in Western Europe in an unnumbered circular airgram of Oct. 1. (120.4341/9-2752 and 10-152, respectively)

Ambassador Kennan

Ambassador Kennan opened the meeting by referring to his recent despatch on the Soviet attitude toward NATO (Moscow despatch 116, September 8, 1952 [3]). He stated that he was not unhappy about our present approach in general, but he did note certain inconsistencies in our policy and several places where it might be improved. The extent of the deterioration in diplomatic relations between the US and USSR was not fully realised. A total freeze has been placed on foreign diplomatic missions in Moscow in which the Soviet Government shows complete unconcern for Western reactions or for Western policy. Therefore there is no diplomatic cushion between peace and war and no area in which effective protests can be made. The actual threat of war would be the only way to dent this psychology. We should try to alter their impression of the outside world and dispel their exaggerated idea of the cumulative effect of our inherent weaknesses. Their attitude and policy is based upon their fundamental analysis of the weakness of Western capitalism. This analysis can be shaken. The political conventions in the US and the type of candidates nominated by both parties have presumably demonstrated that the US will continue to have a vigorous foreign policy. The Soviet leaders are concerned about this prospect since they had great hopes that an electoral crisis would take place in the US. The US and the West should avoid any signs of weakness or disunity. The Soviet Government will continue to worry about Western strength and will try many means to divide the West. However, in time and in the absence of any sign of weakness on our part, we can expect that the Soviet Government may want to do serious business with us.

The US has had three distinct policies toward the Soviet Union. (1) The policy of 1933 as followed by President Roosevelt and Harry Hopkins which made no distinction between the Soviet regime and other states. This policy ignored their bad manners in the hope that one day they would join the world community and conform to international rights. (2) The policy of complete isolation and ostracism. This policy, followed by Secretaries Hughes and Kellogg between 1920 and 1933, was marked by the complete absences of diplomatic relations. (3) An active policy which would attempt to weaken the Soviet regime and eventually overthrow its Government.

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[2] Concerning NSC 135, see vol. II, Part 1, p. 56.

[3] See footnote 2, *supra*.

Whatever decision is made concerning the policy of containment, the three policies listed above should not be confused. Elements of all three policies should not be present at any one time. The present US Mission in Moscow was designed to take care of the first policy. Our policy in the UN follows the first policy, but now there is a great deal of talk concerning an active policy which would subvert the Soviet Government.

The most difficult and delicate problem at the present time is to determine Germany's relationship with NATO and the impact which its membership therein would have on the Soviet Union. A compromise must be made between the military advantage to be derived by the disposition of NATO troops and bases in the areas near the Soviet frontier and the political effect which such disposition would have. This problem involves particularly Turkey and Norway. The US Mission in Moscow is hampered by a lack of precise information concerning NATO activities such as the construction of bases. The Soviet press has distorted NATO activities to a great degree but such distortions may reflect a real anxiety. Information is needed to evaluate the reports in the Soviet press and to ascertain whether they do indicate a real fear of NATO strength. It would not be desirable to keep such information on file in Moscow, so some other means for informing the Mission will have to be worked out.

The real question is to determine how acute is the danger of Soviet attack and what should we do in the main lines of our policy. Should we wait them out or exploit their weaknesses? Mr. Kennan expressed the view that we should go easy in NATO preparations and avoid provocative action. We should do all we can to prevent statements in the US that we are planning to overthrow their power. He believes that we should wait a few months to see what is forthcoming in the Soviet Union, and rely on the Western strength and our solution of problems in Western Europe which he feels have a healthy impact on Soviet leaders.

In response to a question from Mr. Bruce, Mr. Kennan amplified his analysis of the basis of Soviet policy by stating that the failure of the US to have an economic crisis had made the Soviet leaders extremely sensitive. A growing unity in the West would complete the demolition of this argument. The prevention of real divisions in the West, particularly between the UK and the US would deprive them of situations to exploit. He felt that Soviet policy was not completely rigid and demonstrated this by pointing out the avid interest with which the leaders ponder the significance of events in the West. He felt that their hope for security was not placed entirely on their military forces but on their feeling that the West would collapse before it could wage an effective war. Soviet reports from the West were probably good insofar as statistics were concerned but Soviet agents could not make any objective political analysis.

Mr. Kennan considered that it would be helpful if he filed an immediate complaint with the Foreign Office against each major distortion in the Soviet press concerning US policy. He also felt that the historic record of US–USSR relations should be corrected, particularly the report that the US tried to make a separate peace with the Germans in North Italy at the end of the war. In response to Mr. Dunn's question concerning publicity, he stated that he was not sure how this should be handled. Mr. Dunn stated that it would be helpful if the same material which he used to refute the Soviet arguments were made available to the other Missions in order to clarify their position with those governments.

Mr. Kennan answered Mr. Bruce's question concerning the UN by stating that he did not believe the Security Council or the Assembly was a good place for fighting our battles with the Soviet Union and that they should be carried out on the diplomatic level. He felt that we had overworked the idea of mobilizing votes in the Assembly against the Soviet Union and that they were impervious to its effect. We should, however, not let them get away with distorted statements in the UN concerning our policy and should combat them on a purely factual basis.

Mr. Donnelly stated that the Soviet High Commissioner in Berlin had expressed a desire for more contact with his Western colleagues. Mr. Kennan pointed out that if we remained aloof from the Russians we simply played their own game. He did not believe that we should have quadripartite meetings with them on Germany since they would turn out to be duels between the two sides. He felt that Vishinsky had always treated him in a serious and dignified fashion and that we should continue to handle basic questions with him on a diplomatic basis. He pointed out that Vishinsky told him that the present anti-American campaign is direct retaliation for the US activity in the Katyn investigation, the Grow Diary and other publications.

Ambassador Gifford

Ambassador Gifford pointed out that among all of our allies, the UK remains the strongest both in military strength and its determination to maintain national independence. We should continue to encourage progress in the UK defense program which is bigger than all Western European programs put together. Britain is taking an active interest in the growing integration of Europe and is showing a proper and enlightened viewpoint in the development of a strong defensive position.

A basic question involves the Middle East. The British have hinted that they might withdraw from the Middle East as they did from Greece. The US should keep them in the picture and support their policy, particularly since the US is not ready to take over the responsibility now exercised by the UK.

There is no major problem in the current political situation. The Labor and Conservative parties have the same goals in the international fields but display a difference in emphasis in reaching them. The economic situation is serious in view of the import requirements. The Socialist system has slowed down incentives and has curtailed production. The curtailment makes it difficult for Britain to meet international competition. In addition, the working people are better off in Britain than ever before, although this does not apply to other classes of the population. This situation makes it difficult to bring about technological improvement and increased production.

The British are very sensitive about the decrease in their prestige. We should not formally or publicly engage in any joint enterprise, such as a joint study committee, designed to find a long range solution for the British economic situation. Joint enterprise should be avoided since future stability in the UK will involve many fundamental and painful political decisions.

Mr. Bruce stated that serious consideration will have to be given to long term policy after the close of the Commonwealth Conference and the inauguration of the new Administration in Washington. He pointed out that British prestige is lower in the Middle East than the British are willing to recognize. Many believe that the US should take an active lead in formulating a new policy in the Middle East instead of following the British line. He doubted the ability of the US to replace Britain in this area particularly in view of the extent of nationalist movements and the fact that anti-Westernism in the Middle East made no distinction between the UK and the US.

Mr. Kennan stated that we could not let British prestige take a blow in this area. We cannot expect to be popular or to be liked in the Middle East, but we should be respected. We should demonstrate that we are prepared to act and that we mean business in the protection of our strategic interests. We should shift the emphasis in our policy in order to obtain this respect. We should not rely on individuals in Middle Eastern politics nor interfere with nationalistic movements except in the protection of our strategic interests. We must recognize and fight the elements of blackmail in the Iranian position. The national movements in the Middle East must oppose Communism because of the effect on them if the Communists won a predominate position. They should not be motivated by love of the US.

Ambassador Dunn

Mr. Dunn emphasized the strength of French policy as expressed by the Pinay Government. This Government had given the French people hope that it can stabilize the economy and preserve the value of the franc. Pinay has the support of individual members of other political parties such as the Socialists in seeking this objective.

He will face a real battle on October 7th when Parliament takes up the question of prices. Pinay will meet the opposition successfully and will probably carry on until the beginning of next year. There is no alternative Government in sight at this time. Pinay is not interested in international questions. He has neither the time nor patience for dealing with these questions as he is completely preoccupied with the domestic situation. He fully supports the defense policy as it has been expressed by Pleven. He supports Schuman in his efforts to create an integrated Europe. Pinay is a strong anti-Communist and will go as far as necessary in combating Communism. He has the support of public opinion in this respect.

The French are making a sincere effort to fulfill their NATO requirements but the drain of the war in Indo-China prevents full utilization of their potential national production. In North Africa, US and French interests coincide. The French must continue to stay in control of North Africa if the entire NATO structure is not to be weakened. We must find a way to reconcile our position with French needs.

The French plan no immediate action with respect to ratification of the EDC. Under no circumstances will the French ratify before the Germans ratify or before they get some idea of the general settlement of the Saar question. The debate on ratification will probably take place in January and there is little prospect of advancing it.

Mr. Bruce stated that there was a feeling in Washington to censor the French for delay in the EDC ratification since it was originally their own plan. He felt that French over-all interest would be served by speedy French action immediately following the ratification by the Germans. He stated that the US will vote for the inscription of the Tunisian item in the agenda of the General Assembly. It would be impossible for the US to state French policy in North Africa for them. He felt that the French should have their case presented by their best orator who by his stature and ability would be able to convince the Assembly of the sincerity of the French motives. Mr. Bruce stated that there was no possibility of changing the attitude of the A.F. of L. and C.I.O. on Tunis which was in direct opposition to the US position. He hoped that we could get the French to announce their position on inscription before the US announcement.

In response to a question by Mr. Perkins as to whether the French would make settlement of the Saar a precondition of EDC ratification, Mr. Dunn stated that he believed Schuman would wish a basic agreement with Adenauer which he could mention in the debate. He hoped a settlement would be reached before the end of the year since at that time the issue would be injected into the German elections.

Ambassador Donnelly

Chancellor Adenauer has reported that he expects final action to be taken on ratification of the EDC by the end of October or early November. Adenauer says the SPD is reconciled to the fact that ratification will take place. The Supreme Court is expected to hand down a favorable decision about the end of October. The debate in the Bundestag will be affected by such issues as the Saar, war criminals and the activity of the East German delegation on German unity. The Germans will complain bitterly at any French delay in ratification and may request the US to implement certain portions of the contractuals prior to French ratification. They may specifically ask for the immediate creation of the Mixed Board on War Criminals and announce the three German members. Also there will be strong pressure for immediate steps to create the German army.

After ratification many problems will arise from the operation of the contractuals but the real issue will be German admittance to NATO. German participation in EDC cannot be justified without the recognition of full equality of NATO membership.

Adenauer is seeking a reasonable settlement of the Saar question and one which will not prejudice him in the elections or which can be used against him by the Nationalist elements. The US should not become directly involved in this issue.

It is difficult to get the British and French to go along with us in the Berlin situation. They are over-cautious. We do not plan any unilateral action there without full consultation with our allies but a dangerous situation might arise in which effective action is made impossible by the failure of the British and French to get instructions.

The Soviets can be expected to do everything to delay or prevent ratification and to weaken West Germany by dividing it on political or religious grounds. Adenauer will stand or fall on the issue of integration with the West. The succession of Ollenhauer as SPD chief will help and there is even some talk of a "grand coalition" after the next election.

De Gasperi's visit to Bonn was a real success. De Gasperi told Adenauer that Italy will not wait for French ratification before taking action on the EDC which might be expected in November.

Ambassador Bunker

The test of our policy in Italy will come in the 1953 elections. Although the center parties had a slim margin in the administrative elections, a larger margin of victory may be achieved in the national elections in which the basic issue of Communism can be clearly defined. The progress in economic reforms will also help the Government as the cumulative effect will be noticed at the time of the elections to a greater extent than is now evident.

De Gasperi is confident that he will be able to form a coalition of the four center parties either before or after the elections. The Communist tactics of posing as a democratic party and avoiding overt action, however, is effective. The Communists lose ground whenever they turn to subversive tactics or political strikes as shown in the recent abortive railroad strike.

The basic problem continues to be economic. The Government's record is good, but unemployment and part-time employment are still serious questions. Inflation has been controlled and a sound basis established for the currency. Reforms have also been made in tax collection, and income taxes now constitute 19% of the Government's revenue.

In the military field, Pella says that Italy will meet the TCC commitment. There is strong support for the productivity drive and the rate of investment for 1953 will be increased. Emigration, however, still constitutes a major problem. The Italians were very disappointed at the low quota in the McCarran Act. Officials are now exploring the possibility of emigration to Latin America, particularly Brazil. It may be possible that some part of the excess manpower could be sent to Sardinia. Even the million new jobs which have been created recently do not take care of the backlog and in view of the limited opportunities open to Italy for relieving this situation some help should be given.

The Italian Government can be expected to take firm action with respect to the Communists. De Gasperi will do everything he can within the law and has asked for suggestions as to appropriate action. De Gasperi, however, will not be able to go as far against the Communists as he might have done immediately after the elections of 1948. He will have to go slowly particularly in view of the Communist tactics of stressing constitutional methods. It has been suggested that he might cut off revenue available to them through trade with the East by making this trade a state monopoly.

De Gasperi says that no Italian Government could survive unless it reaches a satisfactory solution of the Trieste question. He says that this problem will have a vital effect on the Italian ratification of the EDC but this is believed to be simply a tactical position. The timing and the nature of the Western approaches to Yugoslavia have discouraged De Gasperi. He says that the help given to Yugoslavia will make Tito less reasonable on the Trieste question. The Western Powers should not openly repudiate the March 20th declaration.

It is recommended in our policy in Italy that the US should be as self-effacing as possible and let the Italians get the credit for the material progress which has been made. The injection of the US into the Italian scene helps the Communists. We should always ascertain what political effect may be expected from the requests we make to the Italian Government. If these effects are favorable, we can expect a better showing for the center parties in the elections. We should try to associate Italy more closely with Britain and France in major European decisions.

Mr. Bruce pointed out that the Italians must not be optimistic about any forthcoming legislation in the US which could help the emigration picture. He felt that this fact should be stressed to the Italian Government.

Session of September 24th—Afternoon

Ambassador Draper

Ambassador Draper reviewed briefly recent developments in NATO, stressing the unanimous acceptance of American leadership in the appointment of General Ridgeway. There have been certain difficulties in the North Atlantic Council since the Lisbon meeting,[4] including the psychological let-down in connection with the decision on the French aid program and Churchill's statement regarding the stretch-out of the British defense effort. There has, however, been subsequent improvement in the NATO atmosphere, particularly as a result of the NAC discussion on Germany and the Soviet note. Political discussions are now developing in the NAC and will be extremely helpful.

SHAPE now estimates that progress towards the 1952 goals will be as follows: 24 out of 25 M-Day divisions, and 14 out of 25 M plus 15–30 divisions, or a total of 38 divisions by the end of 1952. US defense specialists in Washington, evaluating 1953 and 1954 goals in terms of cost, believe we will be short about four billion dollars in both 1953 and 1954. In the air, 1952 should achieve the 4,000 planned NATO planes, though a considerable number of these will not be modern. The British have suggested a strategic review of the effect of new weapons on the presently contemplated force goals. The US authorities feel that new weapons, which will only become available in quantity in 1956, will not reduce the need for conventional weapons and troops strength required for 1953-4. The British and French appear to have accepted this view.

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[4] For documentation concerning the Ninth Session of the North Atlantic Council held in Lisbon on Feb. 20–25, 1952, see vol. v, Part 1, pp. 107 ff.

The primary short range objective is to get the German defense contribution, and in view of various factors such as elections scheduled for 1953, we must press ahead on this program. It is important for the US to set a deadline for the ratification of the EDC. The Dutch, Belgians, Norwegians, and Danes in particular have stressed the need for prompt ratification and also for German membership in NATO. It seems clear that the Danes and Dutch will not feel secure until the German defense contribution has been achieved. We should, therefore, perhaps have some alternative US plan, if EDC ratification fails, such as some special arrangement with Germany.

The US should seek to avoid a development in European integration in which a hard core of the six nations might withdraw from the context of the Atlantic Community. We will have to strengthen the economic aspects of NATO and draw up a program of commercial and investment policy which will be of benefit to the entire community.

Mr. Bruce, commenting on the EDC ratification, noted that the timing of the French ratification is the biggest problem, and since Italy will evidently ratify shortly, the Department should press the Benelux powers to do the same, as we did in the case of the Schuman Plan.

Mr. Bruce agreed that we should gather at the end of the year all the studies being made of commercial policy to arrive at a position which could be recommended to the new administration. It would be premature to make any specific recommendations at this time.

Referring to the East-West trade problem, Mr. Perkins inquired what the impact would be on the Soviets if we publicized our activity and success in trade restriction. Mr. Kennan replied there should be no bad effect providing we make it clear that the restrictions were for strategic reasons only, especially if Allied unity on this subject is clear and can be maintained. At the same time, added Mr. Kennan, we should for propaganda reasons make it clear that within a certain area at least, we favor East-West trade, noting that the US is not big and rich enough to provide alternatives for all such trade. Mr. Perkins remarked that for the clearly strategic items, there is little difference of opinion among the Western governments, the main differences arising in the field of those commodities which become strategic only if in certain quantities, such as rubber.

Mr. Perkins questioned the standards used in the conclusion that at the end of 1952 only 38, and not 50, NATO divisions, would be attained and whether this was not a bad performance. Mr. Draper pointed out the difficulties involved in training and equipment. He agreed that any public discussion must stress the progress made regarding the other 12, and that the overall achievement could in fact be considered satisfactory and a decided contrast to the situation a year ago. It was not a cut back from the Lisbon goals, but a cut back in the rate of growth in the defense effort. There are more troops in being now than in 1939, but the cost of equipment is so great that we cannot compare the present effort with the reserve system of 1939.

US Objectives with Respect to European Integration with Particular Reference to the Growing Strength of the Federal Republic

Following the above general presentation by the various Ambassadors, Mr. Bruce suggested that the meeting should discuss some of the special problems. The first item was US objectives regarding European integration with special reference to Germany. Mr. Donnelly referred to his telegram 887, of August 28, 1952, to the Department,[5] the main German problems including refugees and the impressive achievements in the economic and financial field. Germany is already a serious competitor in world trade. He expressed the opinion that Adenauer's coalition now has a good chance of winning the 1953 parliamentary elections. With respect to resurgent Germany, both politically and economically, he suggested that Germany threatens to dominate the EDC, for which reason it might be better, from the viewpoint of Allied control, to get her into NATO as quickly as possible. Moreover, she will certainly demand such full military equality.

Mr. Bruce commented that the solution of this problem involves the question of timing, since US policy has always favored German membership in NATO. This question obviously cannot be raised with our Allies until the EDC has been ratified. Mr. Kennan stated that, if US policy in fact favored German membership in NATO, it will have in his opinion profound implications for the Soviets and Europe. Will this not mean that no peaceful solution of the problem of the German unity can be achieved? The Soviets will feel that they cannot possibly give up Eastern Germany, the Germans will in time force the unification of their country, and with Germany in NATO, we will be involved in war. NATO is already so large a coalition it would be hard to agree on any terms of settlement with the Soviets, and with a dynamic and un-unified Germany added, this would be an even more serious problem since we would leave the Soviets no opportunity to settle the German question by negotiation. The Soviet leaders would choose war to political surrender. Mr. Donnelly pointed out that Germany actually will be a member of the EDC and that as a NATO member the US has given the EDC [a] security guarantee. Therefore for practical purposes we are already involved whether we like it or not. Mr. Kennan admitted that this NATO–EDC guarantee complicated our situation, though did not think it would be as difficult as we would face were Germany an actual NATO member. The latter would mean, he felt, political war with the Soviets, first in terms of Eastern Germany and the other Soviet Satellites, and then with the USSR itself, since the Stalin regime could not retreat to this extent. Mr. Kennan felt we should try and get agreement with the Soviets for a demilitarized unified Germany.

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[5] For text, see vol. VII, Part 1, p. 355.

Mr. Kennan noted that this question is somewhat similar to that of subversion of the Soviet regime and system. Admittedly, there is no moral reason not to do so, in view of the Soviet attitude and behavior for over 30 years, but he had grave doubts as to the advisability of such a course. We have no real program or organization to succeed the USSR. If we should try this, we should in all honesty first break diplomatic relations. Mr. Donnelly raised the question whether there really could be peace in Germany until the country was unified. Mr. Kennan replied that he supported Germany's integration with the West, but felt we must try all diplomatic means to unify Germany peacefully.

Mr. Bruce commented that the US Government decided two years ago on the necessity for a German defense contribution, presumably via NATO, and it was only subsequent French opposition which produced the EDC. He suggested that the question of German NATO membership will not in fact become actual for some time, and this has never been publicly announced as US policy.

Mr. Perkins remarked that it was hard for him to see the difference between German membership in NATO, and the German membership in the EDC with a NATO–EDC guarantee, to say nothing of the security guarantees we have already given Western Germany and Berlin. He suggested the Soviets will in fact regard this as fully equivalent to German membership in NATO. Mr. Bruce also pointed out that the EDC setup, including the relationship between divisions and corps, is intended to make unilateral German aggression impossible, and should insure that any EDC or NATO military action must in fact be on an unanimous basis. He felt, however, that before long any US Government must and will favor complete German sovereignty and the removal of restrictions on Germany, since this inevitably follows the basic US decision in 1950 on the necessity for a German defense contribution. Mr. Kennan admitted that he has long felt that Germany must act as a buffer and defense for Western Europe from the Soviets, that the Soviets are a greater danger to us than a resurgent Germany and that we cannot defend Western Europe from both the Soviets and Germany.

Mr. Draper asked if the US could in fact accept a demilitarized Germany? Although there was no specific reply to this, the above decision on the necessity for a German defense contribution implies that a demilitarized Germany would *not* be acceptable to the US. Mr. Holmes pointed out that this whole discussion indicated that a divided Germany could hardly continue indefinitely without probably provoking war. Several fears were expressed that this is so.

The larger question is the nature of European integration in which our activity had major political implications, as, for example, the allocations of OSP orders. Mr. Bruce expressed the view that a judicious application of US aid can be made but there is probably little we can do to control German resurgence. He asked: what kind of European integration do we want and how can Germany be fitted into an integrated Europe. Should such integration include the present Soviet Satellites? The US clearly favors European integration but do we in fact have a policy on our relation to such a Europe? While urging others to surrender sovereignty, the US is unwilling to do so itself. Mr. Draper inquired if any fears had been expressed in Washington regarding the emergence of the Community of Six as a "3rd Force" which would not be subject to US influence and might in fact oppose us. Mr. Bruce replied that little consideration has been given in the US to this possibility. He pointed out the overwhelming and uncritical Congressional and public support of European integration.

Session of September 25th—Morning

This session was devoted to a discussion of military questions by General Gruenther. No record was made of this part of the Conference.

SESSION OF SEPTEMBER 25TH—AFTERNOON

Berlin

Mr. Donnelly began the discussion of the Berlin issue by noting that in recent months there had been a number of harassments affecting our access to and rights in the city. The basic problem was: Should we just make more protests, or should we try really to meet this challenge? A survey of possible countermeasures has now been made, both in HICOG and Washington. Although the recent Dreilinden MP patrol issue was settled to our satisfaction, the other MP patrol issue has been outstanding since last spring, involving our right to send these patrols on the Autobahn between Berlin and Western Germany. Mr. Donnelly still felt that we should try his latest proposal (Bonn's telegram No. 1198 of September 17, 1952, to Department [6]) although the British and French are evidently leery about it, and the US military in Germany has just expressed opposition. Mr. Donnelly emphasized there should be no danger of any shooting.

Mr. Bruce asked whether there is not a distinction between our basic right to stay in Berlin and our right to send the MP patrols? The latter is only a right by usage, and is it really vital?

Mr. Kennan commented that the important problems are that of unrestricted access to Berlin, and where we make our stand against Soviet encroachments. A protest on the Moscow level would presumably only be effective if accompanied by some pressure from us. However, Mr. Kennan could not help feeling seriously concerned regarding the MP issue and our apparent willingness to concede to the Soviets the right unilaterally to decide whether or when specific Berlin communications should be denied us. He again suggested his proposal for a demand for prior consultation, which Mr. Donnelly might well make orally to Chuikov in order to help emphasize it.

Mr. Donnelly reported that HICOM is just about ready to do this. He also mentioned the closing of Rothensee since August 15 and our inability to get any tripartite counteraction as yet.

Mr. Kennan noted that Western Berlin is now cut off completely from its natural economic hinterland, the result of gradual encroachments over a period of years, which in the long run increasingly threaten the morale and resistance of the Berlin people.

In reply to a question from Mr. Bruce, Mr. Donnelly suggested we face three specific problems now: that of Allied unity, the problem of possible counter-measures, and that of the MP patrols. Mr. Bruce pointed out that US policy calls for firm action in general, and as regards the MP issue, it is mainly a question of whether we make a stand on it, and if so, how? Mr. Perkins explained that in the recent discussion in Mr. Matthew's office in the Department on this problem, it was feared that Mr. Donnelly's proposal of mixing troops with the MP's might end up by our having the troops blocked as well. Mr. Bruce asked why we could not send the MP's out dressed as ordinary soldiers. Mr. Donnelly replied it was important to get the principle recognized.

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[6] For text, see vol. VII, Part 2, p. 1299.

Mr. Donnelly was asked whether he thought the British might agree to block access to the Berlin Radio building in their sector to Soviet MPs as a counter-measure to force the MP Autobahn issue. He expressed doubts that the British would agree to such a plan.

Mr. Bruce then asked what we should do in the case of some more vital encroachment such as closing the Autobahn entirely. Mr. Donnelly recommended meeting this issue head on; i.e. being prepared to force our way through if need be. Mr. Kennan again suggested demanding prior consultation from the Soviets on such cases, or even demanding an overland corridor to Berlin.

Regarding the specific MP issue, Mr. Kennan suggested the only way to impress the Soviets, besides counter-measures, would be to emphasize the completely cynical and unjustified Soviet pressure on the Berlin population resulting from the whole scheme of Soviet encroachments. This line might embarrass them. He also suggested that Mr. Donnelly should approach Chuikov and intimate that the Allies would be forced to consider serious measures if the MP patrols were not restored.

Mr. Dunn recalled the agreement of the three Western Foreign Ministers taken last spring in London on the necessity for firm and prompt measures in Berlin, suggesting we should remind our Allies of it.

In conclusion Mr. Bruce suggested that Mr. Donnelly should review this whole Berlin subject further upon his return to Germany, together with the British and French and with Mr. Kennan (who will be there next week) and present the Department with concrete proposals including, if he desires, one concerned with the MP Autobahn problem. Mr. Bruce suggested that consideration should be given particularly to the problem of what we should do unilaterally in the absence of tripartite agreement, as well as what action we should take, including consideration of the use of armed force, if the Soviets should interpose some fundamental obstruction of our free access to Berlin.

US Policy Toward the Community of Six

Mr. Draper considered that the question of relationship of the community of six to the Atlantic community was an important and even dangerous one, particularly in view of the intense Congressional interest in any form of European unity. The US does not have the same competitive reasons for watching this development as do the British. This development should be watched, however, in view of the possibility that the coal and steel community may become a great international cartel. The development of the regulations concerning pricing and financing should be studied from the point of view of coal and steel operations as well as the effect it will have on our concept of the European community.

Mr. Bruce stated that everyone agrees with the desirability of U.S. representation to the coal and steel community and felt that everyone present endorsed the idea of political federation. He referred to the proposal that a study be made of the coal and steel community by Mr. Humphrey. Mr. Draper outlined the need for this study to make known the facts to the iron and steel interests in the United States. Mr. Bruce expressed the fear that such a study might be regarded as U.S. interference in a matter of European domestic concern. The High Authority might like to have an outside study made at a later time. At the present time, however, it would be embarrassing if such a study resulted in U.S. opposition to the development of the coal and steel community simply on the basis of our attitude towards cartels. We should, of course, be present as observers, but should function only in a reportorial fashion. Mr. Bruce felt that the British can make some kind of a deal with the High Authority but the U.S. does not have the same need. There has been no official request for any U.S. financing which would require a detailed study. He considered that the plans for European federation should be left to the European states until a direct national interest is involved in the operation of these plans. We should not participate in the formulation of these plans. In view, therefore, of the political implications which such a study might have, it was generally agreed that it should not be made at this time.

Effectiveness of US Policy in Meeting the Soviet Threat

Mr. Ferguson briefly discussed the contents of NSC 135, explaining the nature and purpose of the reappraisal of our programs in order to meet the changing nature of the Soviet threat and to define our policy objectives in the period from 1954 to 1956.

Mr. Kennan responded by stating that he operates in Moscow by vacillating between hope and despair. On balance, he was inclined to take a gloomy view of our present approach. He felt that the development of military strength in the West was a task which had to be carried out. It was originally conceived for dialectical purposes, i.e., to be used in conducting successful negotiations. It appears that we may now have lost that original purpose. Strength and decisiveness in the West can sway the Soviet leaders, but they must also be convinced they have an alternative which can be achieved through negotiation. Mr. Kennan felt that the main issues involved in our relations with the Soviet Union are Germany, Austria, and Japan. The problem in these areas not only arises from the presence of Soviet troops but also from the power vacuum which our post-war policy created in these areas by removing them as effective buffer states. Agreement must be reached on the three areas if war is to be avoided.

Our present position takes it for granted that things cannot get better in our relations with the Soviet Union. But we cannot maintain the present balance without intolerable financial burdens. The Japanese question was settled without Russian participation. A settlement in Austria depends on settlement in Germany. In our present policy we are losing our freedom of action to talk to the Soviets. The basic Soviet thesis has long been that of the irreconcilability of the two systems, and there is now a real danger that our present policy constitutes acceptance on our part of this same idea. Only at the present time are we in a position to talk to them on equal terms. The Soviets are so suspicious that they regard our Embassy in Moscow as a center for espionage and not as a means of carrying out its fundamental diplomatic purpose. We should watch the situation carefully and take advantage of any wavering in the fundamental Soviet position in order to utilize that change in position for negotiation.

Mr. Kennan considered that we had dissipated our power of decision in NATO and had pushed the Western European countries too much in accepting our position and programs. He felt that this situation was being exploited by Soviet propaganda.

Mr. Kennan considered that the proposal for the subversion of Soviet power in the satellite areas might be the logical result of our policy in Germany. We should not attempt action of this type unless we are prepared politically and militarily to carry it out to its fullest extent. There can be no half-way measures in such a policy. If the policy of subversion extended to the Soviet Union, we should remove our formal diplomatic mission from Moscow.

Mr. Bruce pointed out that any proposal for settlement in Germany was affected by the deep distrust in the US—both by the Government and among the people—of entering into diplomatic negotiations with the Russians unless we have sufficient power to lead these negotiations to successful conclusion. He did not see any way to accommodate the Russians in Western Germany. We would have to be in a position to maintain our position by force if the negotiations broke down or if the Russians violated any agreement which might be reached.

Mr. Perkins agreed that there could be no basis for accommodation unless each side had confidence in its own strength to meet the situation which might follow the negotiations.

Mr. Kennan considered that we should negotiate to attempt to get the removal of Soviet military power from Germany back to the Pripet marshes. Russia habitually has had a large army but in earlier days buffer states existed between Russia and the rest of Europe. The problem is to secure the removal of Soviet military power from its advanced position in Europe.

Mr. Bruce did not consider that the proposal for negotiation was in accordance with the generally-accepted analysis ascribing imperialistic motives to the Soviet Union. He asked if security were really the only concern of the Soviet Union and whether agreement on the three areas (of Germany, Austria and Japan) would resolve Moscow's drive for imperialistic expansion. Mr. Kennan replied that he could not tell whether the Soviet leaders were sincere in stating their position. The expansion of power is a long term trend in the Soviet Union in which the leaders operate on their own laws. The rivalry with the West is an established fact in their own minds and according to their view the struggle is going on at present. This position pre-supposes aggressive designs on our part but they believe that they can win by utilizing their present methods. The Soviet leaders do not desire a world war. Consequently, if we are strong enough, they will negotiate with us. Mr. Kennan did not believe that we were losing the cold war and pointed to the growth of the spirit of resistance in Germany and Austria, the loss of Moscow's control in Finland and Yugoslavia and the victory over the Communist guerrillas in Greece.

We must recognize the consequences of a withdrawal from Germany. If Germany is unified, an entirely new situation will exist in Europe in which a large part of our defense structure such as NATO and EDC would disappear. But in its place there could be a unified Germany which would serve as a buffer state against the Soviet Union.

Mr. Bruce felt that we had had enough propaganda sessions with the Russians but stated that it was agreed in Washington that we would negotiate with them if we could do so on exact and constructive terms of references. Mr. Dunn pointed out that we must be aware of the effect on other states of our negotiations with the Russians, a point on which opinion might be seriously divided.

Mr. Draper asked what guarantee we would have that the Soviets would not re-occupy Germany if there was an agreement for withdrawal. He also asked whether the Soviets would continue to maintain political control over the satellite states. Mr. Kennan replied that he did not know what situation would exist in the satellites. He felt, however, that Titoism may be strong in some areas. A unified Germany, however, would be a counterforce and a counter-attraction in the satellite areas. He felt that despite all of these difficulties we should clarify the atmosphere by showing ourselves ready to talk about Germany.

Mr. Bunker asked what effect the U.S. withdrawal would have on the economic situation in Europe and whether it would not weaken the European states to such an extent that they would fall victim to Communism. Mr. Kennan replied that in economic matters Europe could take care of itself. Mr. Dunn suggested that a study might be made of various plans for strengthening the European economic structure by use of their own resources for improvements in trade relations, production and distribution.

Mr. Draper stated that any negotiation must provide a world settlement which includes Korea and Japan. He inquired whether we could expect the Russians to stay behind their borders militarily and not try to use their position to subvert other governments. Mr. Kennan replied by pointing out that the Russians could not understand why other nations did not use their police power to control or to destroy Communist movements within those states. He believed that such an exercise of police power would convince the Russians that they must abide by any agreement which is reached.

Mr. Bruce commented on the question of the continuation of economic aid. Everyone would like to see this aid terminated but with the current growth of the productive capacity of the US, it was impossible for European plants to produce for a revived world trade. They could not compete at any time with the US. We may find ourselves in a position of asking European states to take our products so we can maintain full employment at home. He felt therefore that aid in one form or other would have to continue for some time to come.

Session of September 26th

Mr. Draper stated that, as far as he was concerned, the views outlined by Mr. Kennan in the last two days opened up a whole series of new possibilities. The general world trend is certainly toward war, and the West presumably will not be militarily equal to the Soviet Bloc for another two to three years at least. The question therefore arises as to the desirability and timing of any real negotiations with Moscow. Mr. Draper recommended that a further study should be made of this whole problem.

Mr. Bruce suggested that the strength of the West, with specific reference to jet fighters, may be growing vis-à-vis the Soviets a good deal faster than we think. He thought we may reach a good deal sooner than has generally been realized the point from which we could negotiate with the Soviets from a position of strength.

Italian Manpower

Mr. Draper commented that this is essentially a political question and anything we could do to help De Gasperi before the elections would be good. Referring to the fact that there are still two million unemployed in Italy and the population growth continues to present a real problem, he suggested that if possibilities for new employment and emigration could each be stepped up by about 100,000 a year, it would help greatly. Could we try to make a token gesture in the U.S. by a law to admit even 10,000 additional Italians, and at the same time provide perhaps $50,000,000 to help other Italians to migrate elsewhere, both just before the elections? We should also try to urge our Allies and friends to do whatever they can as well.

Mr. Perkins suggested that the US could probably help most effectively by financing Italian migration to other countries, particularly with regard to travel expenses and costs of settlement.

Mr. Dunn urged that anything which could be done in this field within the NATO framework would be helpful in promoting the NATO organization and spirit.

Mr. Bruce concluded that this is a problem everyone should try and help with and the Department will do its best in Washington, with particular reference to the two specific suggestions of a token gesture in the way of immigration to the U.S. and financial assistance for migration elsewhere.

French Government Paper re NATO Strategy

Mr. Draper mentioned and summarized a French paper submitted to the NAC in September which among other things; expressed concern over the stretch-out in military programs; suggested that the maintenance on a constant level of American participation in the re-establishment of European forces tends to slow down the pace of the latter; raised the problem of the proper relationship between covering and reserve forces; inquired as to any available information on the perfection of new Allied weapons or the foreign policy of the U.S.S.R. which might lessen the dangers in Europe and recommended that, in the course of the current Annual Review, attention be paid by the Standing Group in Washington to the fundamental facts of world strategy and the relation between NATO operations and those in other parts of the world, as well as to the desirability of not compromising the economic and financial stability of the various NATO member states in attaining an equitable distribution of any deficit, and the desirability of establishing an over-all production plan extending for more than one year. Mr. Draper pointed out particularly that these latter points reflect the French desire to have the Standing Group become equivalent to the Combined Chiefs of Staff of World War II and to get US assistance on more than a purely annual basis.

Mr. Bruce pointed out that the Joint Chiefs of Staff in Washington would certainly not agree to turning the Standing Group into a body with global responsibilities, and that Congress and US budgeting practices would, of course, not permit the extension of US aid commitments beyond the current fiscal year.

Mr. Perkins suggested that it might be helpful to have some indication of an over-all US plan to provide assistance for the next two to three years, as was done in the case of the Marshall Plan. Mr. Bruce pointed out the difficulty is that, unlike the Marshall Plan, we can not really estimate how long the military program would be required, in view of the nature of the Soviet threat.

Mr. Kennan commented that he did not like the hint in this French paper that, unless we can prove that the Soviets are still likely to attack Western Europe, we could ease up on our defense effort. He suggested we must emphasize that our defense program is the kind of thing which any prudent man must continue to endorse for the foreseeable future, regardless of how the Soviets seem to be behaving at a particular moment. He felt that this was one of the weaknesses of the current Western defense effort, i.e. the way in which the public is only willing to accept the sacrifices involved in view of continuing assurances from the political leaders that a Soviet attack is imminent. He felt that this approach merely plays into the hands of the Soviet "Peace" campaign.

Interim Period in Germany After German Ratification of EDC

Mr. Donnelly mentioned several points on which we will undoubtedly face German pressure and other problems with which we will be confronted in the period immediately following the German ratification of the EDC and contractual agreements, and before complete ratification has been obtained. The major problem will be increased German pressure on the war criminal issue. The Federal Government may presumably request that the Mixed Board begin to operate. There will also be continued and increased pressure from the Soviet Zone on the subject of German unity. Other problems which we will have to face will include: the German financial contribution to EDC, including the amount for Allied support, and what consideration should be given to expenditures for the support of Berlin and refugees, as well as the problem of equipment for the German forces.

Mr. Bruce pointed out that the French can be expected to stand firm on refusing to give the Germans anything through the EDC and contractual agreements until the ratification process has been completed. If we were to push such points meanwhile, it would cause real trouble with the French. Mr. Bruce therefore suggested that Mr. Donnelly should try and moderate such German demands for pre-ratification implementation of the content of these agreements, particularly those of a clearly contentious nature which would merely make ratification more difficult in Paris. He also pointed out that this meeting should make positive recommendations along this line.

Mr. Dunn pointed out that the main problem is the position of Schuman, and he would be willing to approach Schuman informally to get his reaction as to the possibility of doing something on any particular matter which might be raised.

Mr. Draper inquired what alternative the French have, if any, to the ratification of the EDC. Mr. Dunn replied that he believed the lack of any alternative will produce French ratification. The final result may be somewhat delayed. Mr. Bruce commented that the French Parliament had better begin to tackle this problem before the new US Congress meets on January 20, 1953. He recommended that Mr. Bunker should press the Italians to go ahead with ratification without waiting for the French.

Iran

Mr. Bruce pointed out that, as in the case of Berlin and Germany, a point might be reached when US policy would so far diverge from that of the British in the Middle East that a serious split might take place. Mr. Gifford suggested that we should wait and see what the British decide to do about the latest Iranian note.

In response to a request from Mr. Bruce, Mr. Ferguson summarized Washington views on the Iranian oil problem. He stated that one difficulty is that the British have for the last year or more taken positions which we do not feel really meet the realities of the situation. The British have now arrived at a position with which we agree. The Iranians have clearly not moved very far, presumably because Mosadeq's policy is essentially an anti-British one which does not require constructive thinking. The likelihood of any settlement between Britain and Iran is very slim, apart from the possibility that a solution might be adopted under which there would be some oil deliveries. It is hard to believe, at the same time, that the present blockade will remain indefinitely. Mr. Ferguson predicted that the Abadan Refinery would be put into operation and that foreign buyers would appear. He mentioned that there is a certain amount of tanker tonnage available for charter.

Mr. Bruce pointed out that in talking with the British, the problem arises as to whether the US should continue to support the blockade, should become neutral, or should even encourage buyers to go to Abadan. Mr. Holmes emphasized that the British believe that they are over extended in the Middle East and fear the consequences of our policy. He urged that the US should not overlook the British interests and that we continue to work with them.

Mr. Bruce suggested that Mosadeq believes that if he can drive a wedge between the British and US and, on the plea of the urgent Communist danger, he can eventually obtain substantial US assistance.

Mr. Gifford urged that in view of the unity shown by the recent Truman-Churchill approach to Iran,[7] it would be regrettable if the Department now indicates that this unity has ended. Mr. Bruce concluded there was obviously no action or recommendations on the Iranian problem for us to take at the meeting, and authorized Mr. Gifford to send his views to the Department.

Future Meetings

Mr. Bruce inquired as to how everybody felt about these Chief of Missions Conferences, which had originally been planned to be held three or four times a year.

It was generally agreed that they have been profitable. Mr. Bruce said that the Department would consider Mr. Donnelly's suggestion that one or two US representatives from the Satellite states should be included, in order to broaden the meetings. Mr. Bruce also agreed that we should aim in the future for two regular such meetings per year, on the understanding that supplementary sessions could be held if needed.

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[7] For documentation concerning Iran, see volume x.

THE CHIEFS OF MISSION MEETING AT LUXEMBOURG, SEPTEMBER 18–19, AND AT VIENNA, SEPTEMBER 22–24, 1953

No. 304

PPS files, lot 64 D 563, "Regional Conferences"

Minutes of the Chiefs of Mission Meeting at Luxembourg, September 18–19, 1953 [1]

TOP SECRET [LUXEMBOURG?,] September 30, 1953.

Participants:

From the Department:
Assistant Secretary Merchant
Mr. John W. Jones
Mr. John Y. Millar
Embassy London:
Ambassador Aldrich
Embassy Paris:
Ambassador Dillon
Mr. Robert P. Joyce
Embassy Rome:
Ambassador Luce
Mr. James B. Engle
Mr. John J. Shea
Embassy Moscow:
Ambassador Bohlen
HICOG, Bonn:
Ambassador Conant
Mr. Walter C. Dowling
Embassy, The Hague:
Ambassador Chapin
Mr. Harold Shullaw
Embassy Brussels:
Ambassador Alger
Coal and Steel Community:
Mr. Bruce
Mr. William Tomlinson
NATO:
Ambassador Hughes
Luxembourg:
Minister Buchanan
Mr. G. H. Walter Rowe

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[1] In addition to the accounts of the morning and afternoon sessions of Sept. 18 presented here, the minutes of the Luxembourg meeting included three attachments. The first was telegram Colux 3 from Luxembourg, Sept. 20, which dealt with the U.S. attitude toward the establishment of the EDC; for text, see vol. v, Part 1, p. 808. The second was a memorandum on psychological warfare in Europe which was the subject of discussion at the morning session of Sept. 19. The text of this memorandum, is scheduled for publication in volume VIII. The third attachment was telegram Colux 4 from Luxembourg, Sept. 19, not printed, which discussed the desire of the Western European countries to increase East-West trade.

SEPTEMBER 18—MORNING SESSION

Introduction—Mr. Merchant

Mr. Merchant opened the meeting with a review of the important developments of the last six or seven months. Among the most important were the death of Stalin, the Beria case, President Eisenhower's speech of April 16, the Korean truce and the June 17 episode in Berlin, with its revelation of the degree of unrest and dissatisfaction with Soviet rule. These developments had been followed by the Italian elections, the re-emergence of the Trieste question, the French political crisis, the emergence of the Laniel Government and the major step being contemplated by the U.S. to help the French win the war in Indochina. The tripartite meeting in Washington in July had gone extremely well. The recently concluded meeting of the ANZUS Council in Washington had also gone well and indicated a common determination to combat Communism in the Far East. Developments in the Middle East, particularly in Iran and regarding the Suez base, were encouraging. The most striking event of a favorable nature was the Adenauer victory in the German elections, with its many far-reaching implications.

Mr. Merchant said that the outstanding development on the unfavorable side of the ledger was the Russian possession of the hydrogen bomb. The composition of the new cabinet in Indonesia added to the weak and tense situation in Southeast Asia. The recent disagreement with India over the Korean peace conference had an unfortunate effect on our relations with this important country.

On balance, recent events had been in our favor. If a turning point in the cold war had not yet been reached, at least this was a time of great historic importance, when the United States was faced with great dangers on the one hand and great opportunities on the other, which might be exploited by courage and skill.

The Soviet Union—Ambassador Bohlen

Ambassador Bohlen opened his outline of internal developments since Stalin's death by observing that many of the policies and institutions of the U.S.S.R. under Stalin's rule were reflections and instruments of Stalin's will and whim rather than of the Soviet system per se. After his death, his successors were faced with the necessity of making great readjustments because of the highly personalized rule that he had exerted. Stalin was a sort of paranoiac type who apparently had become increasingly rigid in his thinking in the period before his death, to the point where he opposed almost any change in the Stalinist system or any challenge as to his infallible judgment. Thus his successors not only faced the necessity for change but also had an opportunity to effect changes which they may have believed to be long overdue.

Malenkov seems to have been in control from the time the new regime was announced. He and the group of about ten men who direct the Soviet Union appear to be trying first to re-establish the power and control of the Communist party, which had been curtailed under the personal rule of Stalin. Instead of rule by one man along conspiratorial lines and after the manner of an Oriental despot, they are attempting to rule through the top organization of the Communist party, which is itself above and outside the government. This is the so-called collegial system, as distinct from one-man dictatorship. The new regime is also undertaking to re-establish the control of the secret police by the Communist party.

It seems to be inaccurate to consider that there has been an all-out internecine struggle for power following Stalin's death. There may have been a certain amount of jockeying for position but it seems that there has been a consolidation of controls and a relatively tranquil transfer of power to a group of men presided over by Malenkov.

The domestic policies of the new regime are well summarized in Malenkov's speech of August 8. There appears to be a tendency to correct the absurdities and extremisms that developed under Stalin, such as the unbridled license of the secret police over any and all citizens. The impression seems to be building up in the public mind that if a citizen minds his own business he will not be subjected to the arbitrary terroristic practices typical of the Stalin regime. There is a definite campaign to raise the standard of living. The regime promises that there will be an improvement within two or three years and apparently there is widespread acceptance of this idea. Encouragement is now being given to develop the private peasant holdings on the collective farms, with the double objective of increasing agricultural production and improving the peasants' attitude toward the regime.

Malenkov himself seems to be primarily an administrator, with first-rate executive ability and a good deal of common sense. He does not seem to be the type that is motivated basically by ideological considerations; rather, his attitude seems to be to get things done and to make the system operate.

Within the context of the totalitarian police state, which has complete control over every person and institution in the U.S.S.R., there seems to be a trend toward making the government more efficient and business-like. There is no relinquishment of controls but there does seem to be an attempt to get back to what might be called Soviet normalcy: that is, to the conditions that existed under Lenin as distinct from the Fuhrer character of the U.S.S.R. under

Stalin. While there is always the possibility of a surprise development in the U.S.S.R since complete control is exercised by about ten men, there seems to be no present likelihood of a military *coup d'état*.

Turning to Soviet foreign policy, internal factors have always seemed to count heavily as determinants of Soviet foreign policy. The fundamental objective is always the protection and promotion of Soviet interests and only secondarily the fulfillment of ideological goals. A basic determinant is the decision taken in 1928 to industrialize the U.S.S.R., a backward agricultural country, and do it with their own resources. The magnitude and pace of this effort help to explain why, in Soviet eyes, it was necessary to resort to the terroristic methods of extreme police state rule.

The present foreign policy objective is to achieve a relaxation of the tensions which might lead from the cold war into a general war, without giving up any of the areas in which Communist regimes have been installed or making any other major concessions. Manifestations of this policy are to be seen in the tidying up of diplomatic relations with a number of countries, such as Turkey, Greece and Yugoslavia. In Europe, Germany is clearly the predominant issue. After the June 17 demonstrations the Soviet rulers appear to have made the fundamental decision of supporting the East German puppet government at all costs. This means that there is no prospect of Russian agreement to the unification of Germany, since unification would mean selling the East German Government down the river. The overtones of this decision, with respect to the satellites, have been to attempt to remove some of the causes of public disaffection toward the Soviet-controlled governments by slowing down the industrialization programs and by emphasizing measures which will lead to a higher standard of living. Possibly the new regime hesitated to jeopardize the Soviet position in the satellites by subjecting them to the strains of the forced-draft industrialization which Stalin had achieved in the U.S.S.R. at such terrible human cost.

The policy toward North Korea seems to be the same as toward East Germany—the Soviets have no intention of relinquishing their control. The Soviet Government is obviously very careful about relations with China and treats China more as an equal than any of the Western [*Eastern*] satellites. There is little change in Soviet policy toward non-Soviet states.

From the basis of the foregoing analysis, it seemed likely that the Russians would send a blurred reply to the Western invitation to a four-power meeting on October 15. Their note would probably accept the principle of a conference but then go on to allege that they had not received adequate replies to their two previous notes, and would thus, in fact, turn down the invitation. The Soviet rulers probably accept, at least for the time being, the concept that if they hold on to Eastern Germany, Western Germany will be incorporated into the Western defense organization. After the events of June 17 they will probably not try again to re-create a full-blown Communist system in East Germany since it must have been patently obvious to them how far they had failed in gaining the allegiance of the people. Instead, they might try to play for time and set up a modified system, perhaps with socialized industries, which could withstand an election. In one sense the prospects for a unified Germany were reduced by the events of June 17 since the Soviets adopted a policy of greater intransigence as a consequence of the demonstrations. One incidental consequence of the hardening of the division between East and West Germany will be greatly increased tension over Berlin, the meeting point of the two areas. A clash between the armed forces here could occur at almost any time, with most serious consequences.

While the Soviets would probably not be willing to give up any of their puppets, in negotiating a relaxation of tension, they might be willing to negotiate on the basis of delineating spheres of influence. Incidentally, since Austria does not have a puppet government it follows from the foregoing reasoning that the Soviets might be willing to negotiate on Austria, but it was very clear that they have tied any discussions on Austria to discussions on Germany. They would never undertake serious negotiations on disarmament because they would not permit inspection in the Soviet empire.

It seems that the only situation in which they might now start a general war would be if they believed that an attack upon them was imminent. The very considerable sacrifices that they must be bearing in order to carry out the development of unconventional weapons is probably not to be interpreted so much a reflection of offensive intentions as in terms of a deterrent concept and a feeling that they must keep up with the other side. Reports from travelers within the U.S.S.R. indicate that the fear of war is very strong and very widespread. It is difficult to judge the extent to which the Soviet rulers may have accepted their own propaganda clichés about the threat of aggression and capitalist encirclement. The Soviet rulers have been misled before by their own propaganda in the cases of South Korea and Finland, where they apparently believed that instead of resisting Communist invasion the inhabitants would welcome the Communists as liberators. It is interesting, however, that they do generally subordinate their own propaganda actions to support of their policy objectives, and rarely act for propaganda reasons to the prejudice of their policy.

In answer to a question about Soviet relations with Yugoslavia, Mr. Bohlen said that it was unlikely that Tito would rejoin the Soviet system now since both sides know too much about the other. The more cordial diplomatic relations between Yugoslavia and the satellites and the appointment of a new Soviet ambassador to Yugoslavia are more likely evidence that the Soviets have accepted the Yugoslav break and wish to normalize relations on this basis, rather than an indication that Tito is coming back to the Soviet fold.

Turning to the Beria affair, Mr. Bohlen thought it was unlikely that Beria had seriously considered that he could replace Stalin, since he was a Georgian, a policeman and apparently did not have the driving force to carry him through. As the chief of the Security Forces he may have very well objected to the softer policies following Stalin's death. This may have been his undoing. It seems likely also that a contributing element to his downfall might have been the June 17 demonstrations, because he was responsible for security in the satellites. At any rate his elimination has not led to a big purge as might have been expected under Stalin.

In summary Mr. Bohlen believed that the present Soviet Government is faced with tremendous difficulties and contradictions. One of the possible developments is that the relative relaxation toward the peasants may jeopardize control over them. At any rate the basic contradictions and artificialities of the Soviet system may be making themselves felt and thus giving rise in turn to dangers and opportunities which make the present phase an important one.

Germany—Dr. Conant

Dr. Conant thought that German ratification of the EDC and the contractual agreements is almost a foregone conclusion. The impression is that after the Adenauer victory the courts will not make any difficulties on constitutional grounds. Far from being puffed up or arrogant as some reports picture him, Adenauer is extremely conscious of the responsibilities of his great victory. If events turn out favorably in the next few months he seems to be aware that he may go down in history as a great German statesman and, at 77 years old, he realizes he does not have much time. If the EDC does come into effect new leaders may develop within Adenauer's own party who can take over from him at some future time. It is interesting in this connection that with an absolute majority in Parliament the CDU could choose a new Chancellor without holding a general election. If the EDC fails to go through it seems likely now that extremists from the opposition parties would gain control of the German Government.

A curious aspect of the German election campaign was that Adenauer virtually ran on an American ticket. He campaigned with the aid of a moving picture of his trip to the U.S., which presented him as being intimately identified with America. His explanation is that it was good politics because the Germans are thoroughly convinced that their future lies with the U.S., and this tended to show that he could deal effectively with the Americans and had succeeded in raising Germany to the level of an equal.

In addition to being reasonable and in a very strong position, Adenauer is anxious to end the occupation status. The only presently available way out, as agreed upon by West Germany and the Allied occupying powers, is through the ratification of the contractuals and the EDC. If this transition from the occupation status can not be realized some other device would have to be negotiated, but that would be so difficult now as to be a most undesirable alternative. In the meantime, before EDC ratification has been completed, the U.S. High Commissioner particularly is in an increasingly difficult position. The longer that ratification is postponed the more difficult our position will be and the greater the strain on U.S.-German relations. It is to be noted that the German desire to end the occupation status gives Adenauer a real interest in the early ratification of EDC.

Adenauer's views about the agenda for a four-power meeting differ in one important respect from those of the United States. Adenauer feels very strongly that the discussions should be narrowed to the preparations for the election of an all-German Government: that a discussion of a peace treaty could not take place without German participation and hence must not take place until after an all-German Government had been elected. Adenauer would have all Germany behind him on this issue. He was afraid that if any discussion of a peace treaty took place at the four-power meeting some commitments would be bound to result, or at least the Soviets might allege that some commitments had been arrived at. Possibly we might be able to work this out with Adenauer by drawing a distinction between discussing specific provisions of a peace treaty and merely discussing a declaration of principles for a treaty.

While the German people hope for the establishment of a unified Germany they realize that it is impossible for Western Germany to negotiate successfully with the U.S.S.R. under present conditions: first Germany must become strong. The German people are really not anticipating that unification will be achieved by a year from now, much as they hope for it. Thus it is not a problem which must be resolved in a matter of months but it is a question of years.

France—Ambassador Dillon

Ambassador Dillon began by saying that important developments had also been taking place in France in the past few months. The month-long governmental crisis in the early summer had been a cause of serious concern to the French public. They felt ashamed and deeply disturbed. Out of the crisis France finally got a government which is in a stronger position than any other since the Liberation. The Laniel Government is attempting to increase stability and fight Communism by raising the standard of living and thereby to rebuild the faith and strength of France. It is tackling the economic and social problems which have been the underlying difficulties: for instance it is trying to balance the budget, loosen up credit and undertake a home-building program.

The prospect of the successful outcome of the war in Indochina, due in large part to greater U.S. support, and our support in the recent Moroccan crisis has led to a noticeable improvement in U.S.-France relations. U.S. prestige in France has also been raised by the growing impression that the Soviets are not willing to negotiate, thus vindicating the U.S. posture toward the U.S.S.R.

The French seem to realize that the Adenauer victory means that the Germans voted in favor of EDC, with which the Chancellor is so closely identified, and that therefore it is clearly up to France to make the next move on EDC. The improved prospects for the Indochina war and the enhanced possibilities that French troops can be returned to Europe have improved the French outlook on EDC ratification, as did the U.K. position of support for EDC which was revealed in Washington in the July Tripartite Ministers' talks. The possibility of a four-power meeting is no longer a cause for delaying action on ratification. Bidault has stated privately that he is going to devote all his energies to achieving ratification by the end of the year and Laniel has also indicated that he is going to work vigorously for ratification. Bidault has also said privately that he and Adenauer get along very well and if they sit down together they can work out a solution on the Saar. In summary, France seems to be over the hump of inaction and is about to start moving on ratification.

AFTERNOON SESSION

Italy—Ambassador Luce

Ambassador Luce began by analyzing the Italian election and explaining how the Pella Government came into office. Pella has said privately that he is in agreement with about 80% of de Gasperi's domestic policies and an even greater proportion of his foreign policies. Nevertheless, he has emphasized that continued cooperation with the NATO effort depends upon more consultation on subjects of concern to Italy than has been the case in the past. The Italians are very sensitive on this point at present.

Trieste is the overriding issue for the Italian public at the present time and is one subject upon which all Italians can agree. If Pella does not get a reasonable solution on Trieste he will probably either resign or will not obtain a vote of confidence for his government. Parliament is re-convening on September 22 and it is expected that the subject of Trieste will come up shortly thereafter. If the Pella Government falls it is likely to be replaced eventually by a pro-Communist government under Nenni. This is the immediate danger of the present situation. A Nenni Government would obviously have the most serious implications for the future of NATO, besides eliminating any possibility of a U.S. military facilities program in Italy. On the other hand, if a satisfactory solution for Trieste can be worked out the prestige of the present government will be increased and it is possible that Italian ratification of EDC can be accelerated.

Until the Trieste question is resolved, and resolved satisfactorily from the Italian point of view, action on EDC ratification is stalled. Further progress on negotiations for U.S. military facilities is very likely also dependent on the Trieste issue.

While the Italian people are no longer as conscious of the Soviet threat as they have been, they are basically pro-West and will take every opportunity afforded to them to act with the West.

It would be a great help if the barriers to Italian trade with the United States could be reduced since increased foreign trade with the dollar area is essential for the Italian economy. Since there is not much expectation that we will accept any more Italian immigrants than is presently contemplated, the best we could do on this score would be to help Italy find places for immigrants in other parts of the world. Finally, Italy will probably require some economic assistance for a long time to come, perhaps longer than any other country in Europe.

Netherlands—Ambassador Chapin

Ambassador Chapin said that the Netherlands has made a remarkable economic recovery and that there are no economic problems of serious concern to us. They are concerned about the financial aspects of maintaining the military equipment that is being furnished to them. We are no longer blamed for the loss of Indonesia but there is serious concern in the Netherlands about the new government there and about the future of Netherlands investments. One unfavorable factor is a fairly widespread feeling that the Soviet threat has diminished.

The Dutch are proud of their record on European integration, although they are frankly more interested in NATO than EDC. While ratification by the first Chamber is considered to be automatic, the timing may be affected by the actions of the other countries since the Dutch do not want to get too far out in front.

Belgium—Ambassador Alger

Ambassador Alger said that there is no question but that EDC will be ratified at the next session of Parliament, probably before Christmas. Belgium seems to have fewer problems than other European countries.

United Kingdom—Ambassador Aldrich

Ambassador Aldrich said that Churchill's health had much improved and that he would probably be able to carry through the winter. However, if he were unable to do so Eden would almost certainly succeed him. Churchill is at the height of his popularity. On the other hand, Aneurin Bevan had lost a great deal of ground politically and the Labor Party seemed to be backing away from the policy of nationalizing industry.

Churchill had been giving a lot of thought to the question of reassuring the U.S.S.R. about a re-militarized Germany, although it was pretty difficult for American offficals to share his concern. Churchill had now come around completely in favor of EDC. Lord Salisbury had said privately that he, Salisbury, had such confidence in Mr. Bruce that he would be willing to follow his advice as passed to him by Ambassador Aldrich with respect to U.K. tactics to promote ratification.

Ambassador Aldrich thought that the British were in agreement with us on UN matters, including the question of Red China. Their trade problems are showing great improvement. Finally, the atmosphere with respect to the United States is improving. One element in this improvement is that Salisbury finds himself in agreement with the United States about 95% of the time.

Estimates Regarding FY 1955 Foreign Aid—Mr. Merchant

Mr. Merchant gave a brief outline of tentative thinking within the Department regarding mutual security aid in FY '55. He estimated that the total amount to be requested might run between 4 and 5 billion dollars. About 2.5 to 3 billion dollars might be requested for Title I military end-items, with heavy emphasis on the German program. Of this amount, off-shore procurement in the Title I area could account for about 500 million dollars. There might be a "kitty" of around 300 million dollars for Title I to provide for what is now described as economic aid or defense support for West Berlin, Spain, Greece, Turkey, Yugoslavia, and Italy. This would be in the nature of a special program rather than economic aid as such. Possibly this assistance could be effected by an extension of the common-use concept, or by distribution of agricultural surpluses. It is possible that the entire Mutal Security Program will be included in the Defense Department budget rather than requiring separate legislation. It is expected that FOA missions abroad will be closed upon the termination of economic aid programs in individual countries.

Defense support for France and Indochina might be handled separately from the rest of the MSP funds on the basis that they are to be used to clean up the war in Indochina.

In the general discussion that followed, it was agreed that if foreign aid were included in the Defense Department budget, contracts for off-shore procurement should be placed on the basis of what items could be bought most advantageously in any given country.

NATO: Annual Review and Developments in the Council—Ambassador Hughes

Ambassador Hughes said that the NATO International Staff believes, and he agrees, that the Annual Review will be ready in time to permit a NATO Ministers Meeting in early December. [3]

The atmosphere in the Council has improved considerably in the last few months. Lord Ismay has revised his earlier intention to resign as Secretary-General and now intends to stay on, subject only to the question of his health. In the first few months that Mr. Hughes was at NATO there was a tendency in the Council to distort developments to indicate that the U.S. had lost interest in NATO. The smaller countries tended to believe that the U.S., UK., and France were making decisions beforehand and not consulting the other members on important subjects. This has been remedied a good deal in recent months. It is important, however, to make an effort to furnish material for discussion in the Council. The Council itself has shown a development in the direction of going beyond consideration of strictly military matters to economic and political aspects of NATO. It is in our interest to stimulate this tendency, since among other advantages we gain an additional channel for persuading other governments of our views if we can sell them to their NATO representatives.

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[3] For documentation concerning the NAC Ministerial meeting, Dec. 14–16, 1953, in Paris, see vol. v, Part 1, pp. 454 ff.

No. 305

Editorial Note

From Luxembourg Merchant, along with Millar and Bohlen, traveled to Vienna where from September 22 to 24 he chaired a Chiefs of Mission Conference for the United States representatives in the Eastern European countries, the Soviet Union, and Berlin. The summary minutes of this conference are scheduled for publication in volume VIII.

No. 306

EUR files, lot 59 D 233, "Chiefs of Mission Conference—1953"

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) to the Secretary of State [1]

TOP SECRET [WASHINGTON,] October 1, 1953.

Subject: Report of Chief of Missions Meetings in Luxembourg and Vienna [2]

A meeting of Chiefs of Mission to countries in the Coal and Steel Community was held at Luxembourg on September 18–19. Mr. Bruce, and Ambassadors Hughes, Aldrich and Bohlen also attended. The main topic of discussion was the EDC. This discussion is summarized in the telegram attached as Tab A. [3] Psychological warfare was also covered in considerable detail. A memorandum of the discussion and recommendations is attached as Tab B. A telegram summarizing the discussion and recommendations regarding United States foreign trade policy is attached as Tab C. [4]

After Luxembourg, I went to Vienna and held a meeting on September 22–24 with our Chiefs of Mission in Eastern Europe. Dr. Conant, Cecil Lyon from Berlin, and Ambassador Thompson were also present. The principal conclusions of this meeting are attached as Tab D.

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[1] Drafted by Millar. None of the documents described as tabs in this memorandum was found attached to the source text, except for the draft memorandum to the President (Tab E); copies of the documents listed as Tabs B and D are in file 611.00/10–853.

[2] Documentation concerning the preparations for these meetings and the drafting of background papers is in EUR files, lot 59 D 233, "Chiefs of Mission Conference—1953".

[3] Tab A is telegram Colux 3 from Luxembourg, Sept. 20; for text, see vol. v, Part 1, p. 808.

[4] Tab C is telegram Colux 4 from Luxembourg, Sept. 19, not printed. (850.33/9-1953)

Summary minutes of both meetings, including the country-by-country reports, will be available in a day or two if you or General Smith would like to glance through them.[5]

I am also attaching a Memorandum to the President for your signature (Tab E), transmitting the paper on psychological warfare and the principal conclusions of the Vienna meeting, in case you think he would be interested in seeing them.

I believe both meetings were very useful for everyone who attended. I myself returned encouraged with the progress in achievement of our policies in Europe, optimistic over the prospects for early ratification of the EDC and impressed by the high quality and effectiveness of all of our Chiefs of Mission.

[Tab B]

Memorandum Prepared in the Department of State[6]

TOP SECRET [WASHINGTON, October 1, 1953.]

CONCEPT AND IDEAS FOR PSYCHOLOGICAL WARFARE IN EUROPE DEVELOPED BY THE CHIEF OF MISSION MEETING AT LUXEMBOURG ON SEPTEMBER 18–19, 1953

I. BASIC CONSIDERATIONS

A. Psychological or political warfare is the reflection of policy and political objectives. It can be a useful handmaiden to attain and support such objectives. Actions are the best propaganda, for Washington is under a world microscope and everything we do or say is subjected to close analysis and world press coverage. Our position in the world is therefore based on what we do rather than what we say about ourselves.

B. Western European countries have developed a high degree of immunity to propaganda from whatever source. United States information programs should be as quiet and subtle as possible and the United States label should generally not be omnipresent.

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[5] A 10-page record of the Chiefs of Mission meeting in Luxembourg, Sept. 18–19, is in EUR files, lot 59 D 233, "Chiefs of Mission Conference—1953", and PPS files, lot 64 D 563, "Regional Conferences"; 19 pages of summary minutes of the Chiefs of Mission meeting in Vienna, Sept. 22–24, are in EUR files, lot 59 D 233, "Chiefs of Mission Conference—1953", and PPS files, lot 64 D 563, "Regional Conferences".

[6] The drafter of this memorandum is not identified, but presumably it was drafted in the Bureau of European Affairs. On Sept. 8, Thurston sent Merchant a memorandum describing various objectives for psychological warfare as background for the proposed discussion of this subject at the Vienna Chiefs of Mission meeting; a copy of Thurston's memorandum is in file 120.1463/9–853.

C. Our psychological warfare effort should never be allowed to run ahead of carefully considered political objectives as there is always the danger if this is allowed to happen that psychological warfare can start to make policy rather than serve it.

D. Before any psychological warfare operation is undertaken it should be carefully examined to determine whether it is calculated to serve both short term and long term political objectives. Political warfare operations should be kept under day-to-day review with the view to assuring that they are in timing and purpose linked with political policy.

E. "Propaganda begins at home", i.e. the American domestic scene and our actions on the world scene are the basis of our psychological warfare effort abroad. Our country is open for the world to observe. The best persons to present our case abroad to their respective countries of origin are those who visit us and observe our institutions and our national character. The Cultural Exchange Program should be increased and visa procedures liberalised in order particularly to permit intellectuals and publicists to visit the United States and to return and inform their own people what they have observed.

F. President Eisenhower's world prestige is enormous and his April 16 speech as a basic statement of American policy was carried in all newspapers of any consequence throughout the world. His address had a reassuring and salutary effect. The President's great prestige should be availed of in carefully considered pronouncements on American foreign policy objectives.

II. WESTERN EUROPE

A. Western European countries are generally distrustful of what they consider to be American policy objectives vis-à-vis Eastern Europe. Pronouncements by important Americans officials about the "liberation" of Eastern Europe causes fear and anxiety in Western European capitals. It is generally believed that American impatience and implacable hostility to Communism might result in hasty and ill-considered action and . . . might set up a chain reaction leading to military conflict, which Western Europe desires to avoid under almost any circumstances.

B. How hot should be the cold war? Western Europeans will go along with keeping the Eastern European pot lukewarm or even simmering but they fear that American political warfare is inclined to keep the pot at a constant boiling point.

C. The United States should coordinate its psychological warfare operations (i.e. its policies) more closely with its Western European allies both to reassure them and to insure their support and participation. American unilateralism in this field is dangerous and serves devisive forces within the Western alliance, which in turn serves the Kremlin's objective to break the Western Alliance. (The East Berlin riots of June 17 and American psychological warfare operations related thereto caused serious difficulties with our principal allies who also have responsibilities and vital interests involved. It would have been better to have consulted with them with a view to enlisting their support and cooperation.) Our psychological operations at times serve to increase fears on the part of our allies that we were prepared to break in the windows; to bring the pot to a boiling-over condition, the grave consequences of which we have perhaps not weighed and carefully considered. [7]

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III. EASTERN EUROPE

A. Our psychological warfare operations directed against Eastern Europe should never be allowed to run ahead of our political and military policies. One basic long term objective of American policy is to work toward the withdrawal of the Soviet Army from the eastern zone of Germany and from the Eastern European satellites. . . .

B. The Russians will probably eventually consider it in their interests to withdraw their military forces from Eastern Europe satellites. There is little we can do by political warfare operations to advance the date of such withdrawal. Stirring up resistance elements or incitements to revolt might have the long range effect of retarding a Soviet military withdrawal. Our operations in this field should be very carefully studied with the view to insuring that they forward rather than retard this objective.

C. The spirit of resistance in Eastern Europe will not die out. Our psychological warfare effort should be tailored to assist in keeping this spirit in existence but should never incite to rebellion or revolts which could only have the effect of destroying the healthiest and best resistance elements within the satellite countries. Psychological warfare plans and programs should be constantly checked for their efficacy and desirability by the American diplomatic missions within the target countries.

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F. Our information and propaganda output should cease referring to the Russian "peace offensive". Even if this phrase is used within quotation marks, these quotation marks have a tendency to disappear. The end result tends to be that the Kremlin is identified in many minds somehow with peace. The obverse of this coin is that the West not being identified with peace is somehow identified with war, an important Soviet objective.

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[7] In the margin of the source text next to this paragraph was the following handwritten note, presumably made by C.D. Jackson : "Not true—not even the Germans knew this was coming."

G. We have apparently given the impression that we are afraid to sit down and meet with the Russians. Actually, the principal meetings between the Russians and the Western allies have resulted in propaganda victories for our side and we should abandon any general reluctance to confer and exploit our position where strong, as is the case regarding Germany. The view was expressed that the Kremlin does not want such a meeting which would certainly bring out further for the world to see Russia's inflexibility and its disinclination to abate world tension, except on the Kremlin's terms.

IV. "RESISTANCE"

Resistance elements, historically, have proved effective only on the eve of liberation by military force, i.e. the F.F.I. in France just before and after the Normandy landings. During the occupation of France thousands of persons who attempted active resistance were shot, deported or imprisoned. The resistance elements who survived were the quiet organizers and the pamphleteers.

. . . .

[Tab D]

Memorandum Prepared in the Department of State [8]

TOP SECRET [WASHINGTON,] September 29, 1953.

PRINCIPAL CONCLUSIONS

CHIEF OF MISSION MEETING IN VIENNA

SEPTEMBER 22-24, 1953

The following conclusions and estimates were arrived at in the full realization of the dangers of attempting to predict future developments, particularly where the Soviet Union is concerned:

(1) There has been no change in the essential character and structure of the Soviet system, but there have been possibly far-reaching changes in the USSR and its satellites (except Poland) in economic policies, and some relaxation of pressures on the individ-

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[8] The drafter of this memorandum is not identified, but presumably it was drafted in the Bureau of European Affairs.

ual. There is evident no willingness to concede on important points to achieve a negotiated settlement with the free world; but there are signs that some easing of international tensions is sought by the Soviet leaders for domestic reasons if such a relaxation can be achieved at the cost of only minor concessions. The Soviet rulers are dismantling the Stalin one-man despotism and reestablishing the supreme role of the Communist Party. They appear to be moving in the direction of a Leninist-style dictatorship.

(2) The United States should maintain existing policies of building its defensive strength, maintaining cohesion with its allies, and refusing to compromise on principles. We should push ahead on EDC and should cast aside any fear of negotiating with the USSR. In fact we should recognize our own strength and seek opportunities for conference when it will serve our aims.

(3) Long-term Soviet policy regarding Germany is possibly uncertain or undecided, but for the immediate future the USSR is giving full support to its puppets in East Germany, making unification impossible and attendance at a conference embarrassing to them. They will probably refuse to come to Lugano, but will stall in the reply to our note in an attempt to cause confusion.

(4) Berlin is the outstanding danger point, where a chain reaction leading unintentionally to conflict could arise at any time. It is also a showcase for the West behind the Iron Curtain, and as long as it continues to be a western island the Soviets will probably not be able to completely satellitize Eastern Germany.

(5) Apart from Eastern Germany, there has been little evidence of incipient revolt or active unrest in the satellites. The idea of freedom and hope of ultimate liberation remains, but the hold of the police and presence of the Red Army make revolt at present an impossibility.

(6) We should avoid actions which might incite revolt under existing conditions behind the Iron Curtain and enable the Soviet and satellite leaders to deflect on us the blame for their own crimes and errors. The pressure of events and the shortcomings of the Communist system will contribute to the disintegration of the Soviet Empire more inexorably than we can through psychological warfare activities which are essentially uncontrollable and whose results may too often prove the opposite to those intended.

(7) An upset of the regime in Albania, even if it were so rapid as to forestall Soviet reaction, would, under existing relationships in the area, clearly complicate the situation in the Adriatic, even though a turnover would be a permanent loss to Soviet prestige. However, we should be alert to find suitable opportunities to discuss Albania with our allies and Yugoslavia.

(8) The return of Yugoslavia to the Soviet orbit is highly unlikely. The recent normalization of Soviet-Yugoslav relations is rather an indication that USSR recognizes that Yugoslavia is irretrievably in the other camp.

(9) The events of June 16–17 in East Berlin confirmed as a fact the bankruptcy of the puppet regimes. The Red Army action revealed the impossibility of a successful revolt in a satellite as long as the Soviet Army is present and reliable.

(10) It is necessary to clarify US policy more precisely with respect to the individual satellite countries. We tend to fall into the error of treating them all alike.

(11) Opinion was divided regarding the advisability of renewing relations with Bulgaria, but it was agreed that the timing of such an action was important in order to avoid a misunderstanding regarding its significance.

(12) The new policy on East-West trade (NSC 152/2 [9]) was generally approved.

(13) It is impossible to predict the ultimate result of developments within the Soviet orbit, but the general trend seems favorable to the interests of the free world.

[Tab E]

Draft Memorandum by the Secretary of State to the President [10]

TOP SECRET [WASHINGTON, October 1, 1953.]

Subject: Conclusions of United States Chiefs of Mission Regarding Psychological Warfare and Eastern Europe

Assistant Secretary Merchant met in Luxembourg on September 18–19, 1953, with our Chiefs of Mission to the countries in the Coal and Steel Community, as well as David Bruce, and Ambassadors Hughes, Aldrich and Bohlen. I think you will be interested in the attached summary of the discussion and recommendations of this group regarding psychological warfare.

Mr. Merchant then met in Vienna on September 22–24 with our Chiefs of Mission in Eastern Europe, well as Dr. Conant and Ambassador Thompson. I think the attached conclusions of this meeting will also be of interest.

The discussion at the Vienna meeting throws some interesting light on conditions behind the Iron Curtain as observed by our own people. Some of the conclusions likewise have a direct bearing on our conduct of psychological warfare.

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[9] For text of NSC 152/2, see vol. I, Part 2, p. 1009.

[10] A copy of this memorandum, signed by the Secretary of State and dated Oct. 8, is in file 611.00/10–853.

No. 307

611.00/10-2453

Memorandum by the President to the Secretary of State

TOP SECRET WASHINGTON, October 24, 1953.

I think that the men who got together to submit the attached report [1] should be complimented on taking hold of this thorny subject and giving us their opinions on it. I would like to see them encouraged to continue their study of the matter; in this way we shall certainly get more valid reports than we would otherwise.

At any point where we think they have gone a bit astray, we should give them the benefit of our own thinking.

I do believe that they treat the term "psychological warfare" in too narrow a fashion. After all, psychological warfare can be anything from the singing of a beautiful hymn up to the most extraordinary kind of physical sabotage.

I agree with their report that during this period our work should be carefully thought out and should be in concert with the ideas of our allies. On the other hand, I agree with C. D. Jackson that we must have a very definite American objective and know exactly what it is. There may come a time when it will be very important for us that we make no mistake on this point.

Finally, I must remark that it seems strange to me that here at home and abroad prominent officials of our government have completely diverse opinions as to what happened in East Berlin and East Germany. It would seem that we could at least have the same understanding of the facts. The attached document [2] and C. D. Jackson's memorandum [3] show that this is not so.

D. E.

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[1] Presumably this is a reference to Tabs B and D which were attached to the memorandum by Merchant, Oct. 1, *supra*, and were subsequently sent to the White House as attachments to the memorandum for the President (Tab E, *supra*). These documents were not found attached to the source text.

[2] This is a reference to a memorandum by L. Arthur Minnich of the Office of the Staff Secretary in the White House to President Eisenhower, dated Oct. 14, not printed, which briefly summarizes the contents of the memorandum by C. D. Jackson.

[3] Not printed.

No. 308

EUR files, lot 59 D 233, "Chiefs of Mission Conference—1953"

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) to the Acting Secretary of State [1]

TOP SECRET WASHINGTON, November 6, 1953.

Subject: Clarification of a Misunderstanding regarding the Conclusions of the Ambassadors' Meetings in Luxembourg and Vienna

In a memorandum to the Secretary dated October 24 (Tab A), [2] the President remarked, on the basis of a memorandum to him from C.D. Jackson (Tab B), [2] that it seemed strange that there was a difference of opinion between officials here and abroad regarding the East Berlin riots. Mr. Jackson had misinterpreted a sentence in a report of the Ambassadors' views regarding psychological warfare and had concluded that they thought the United States had instigated the riots of June 17.

The attached memorandum to the President clarifies this point and refers to several excerpts from the minutes of the meetings which describe the riots as spontaneous and not the result of outside instigation.

We have passed to the officials who prepared the report on psychological warfare the President's commendation contained in the first paragraph of his memorandum to the Secretary.

Recommendation:

That you sign the attached memorandum to the President and the letter to C.D. Jackson. [3]

[Attachment 1]

Memorandum by the Acting Secretary of State to the President [4]

TOP SECRET [WASHINGTON,] November 6, 1953.

Subject: Clarification of Conclusions on Psychological Warfare at the Chiefs of Mission Meetings in September

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[1] Drafted by Millar and Trulock.

[2] Not printed here, but see *supra*.

[3] According to a notation on the source text, the memorandum to the President and the letter to Jackson were signed by the Acting Secretary and delivered to the White House on Nov. 7.

[4] Drafted by Millar and Trulock. The source text was stamped "A true copy of the signed original. Nov. 6, 1953."

In your memorandum to the Secretary dated October 24, you expressed concern over the diverse opinions regarding the East Berlin riots of June 17. I believe this apparent divergence can be traced to an ill-chosen word in the following sentence in the summary of the Ambassadors' views on psychological warfare:

> "The East Berlin riots of June 17 and American psychological warfare operations related thereto caused serious difficulties with our principal allies. . . ." [5]

The operations referred to occurred *after* June 17; this would have been clear if the word "subsequent" had been used instead of "related".

In order to conserve your time we sent you only the summaries of the two meetings. I am sending to C.D. Jackson a complete set of the full minutes which show that the officer reporting on the Berlin riots stated that they were "a perfectly spontaneous development" and were "caused by the pressure of events and not by outside instigation."

We have passed on to the participants in the September Chiefs of Mission meetings your words of commendation and encouragement for their efforts.

WALTER B. SMITH

[Attachment 2]

The Acting Secretary of State to the Special Assistant to the President (Jackson) [6]

TOP SECRET [WASHINGTON,] November 6, 1953.

DEAR C.D.: I am enclosing a copy of a memorandum to the President which clarifies a statement in the psychological warfare paper prepared during the Luxembourg Chiefs of Mission meeting in September. I am sorry that an ambiguously worded sentence caused the President to gain the impression that there was disagreement in the U.S. government as to the true nature of the East Berlin riots.

I am also enclosing a full set of the minutes of the Luxembourg and Vienna meetings [7] which I believe will show that there is complete agreement among us regarding the events in East Berlin and East Germany.

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[5] Ellipsis in the source text.

[6] The source text was stamped "A true copy of the signed original. Nov. 6, 1953."

[7] Not attached to the source text. For information concerning these minutes, see footnote 5, Document 306.

W.B.S.

THE CHIEFS OF MISSION MEETING AT COPENHAGEN, APRIL 26–27, 1954

No. 309

Editorial Note

During the last 2 weeks of March 1954, Livingston T. Merchant, Assistant Secretary of State for European Affairs, recommended to the Chiefs of Mission in Denmark, Sweden, Finland, Norway, Iceland, and Switzerland that a conference be held in Copenhagen April 26–27 to discuss common problems. It was Merchant's desire to continue the practice of holding periodic informal meetings of Chiefs of Mission in the European area and late April was a convenient time because Merchant would be in Paris to attend the North Atlantic Council meeting on April 23. Detailed arrangements were made during the subsequent weeks and the following principal officers notified the Department of State concerning their availability to attend the meetings: Robert D. Coe, Ambassador in Denmark; L. Corrin Strong, Ambassador in Norway; John M. Cabot, Ambassador in Sweden; Francis E. Willis, Ambassador in Switzerland; Jack K. McFall, Minister in Finland; Edward B. Lawson, Minister in Iceland; John C. Hughes, United States Special Representative in Europe; and, Theodore Streibert, Director of the United States Information Agency.

No background papers were prepared for distribution to the participants at Merchant's request because of his desire to keep the meetings informal. However, G. Hayden Raynor, Director of the Office of British Commonwealth and Northern European Affairs, did prepare a series of background papers for Merchant's use as briefing documents. These briefing documents, as well as documentation concerning the arrangements for the meeting, are in EUR files, lot 59 D 233, "Ambassadors Meeting, Copenhagen—April 1954".

When the meeting convened in Copenhagen on April 26, Merchant was not present, and Ambassador Coe served as chairman with Raynor substituting for Merchant as the Department's spokesman. The two-day conference covered the following agenda items: brief country reports by each Chief of Mission, British position and intentions in the North, present situation concerning ratification of the European Defense Community Treaty, Soviet intentions in the North, evaluation of United States information programs, future development of NATO and its relationship to the northern countries of Europe, and development of a policy toward neutral countries. The minutes of this meeting, totaling 50 pages, are in EUR files, lot 59 D 233, "Ambassadors Meeting, Copenhagen—April 1954".

THE CHIEFS OF MISSION MEETING AT LONDON, JUNE 9-10, 1954

No. 310

120.4341/6-1154

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) to the Secretary of State [1]

TOP SECRET WASHINGTON, June 11, 1954.

Subject: Ambassadors Meeting, London, June 8 [*9*]-10. [2]

I had a full day and a half's discussion with Dillon, Bruce and Tomlinson, Conant and Dowling, Martin representing Hughes, Aldrich, Butterworth and Gordon, on the present situation with respect to Germany, France and EDC, and plans for the next few months. In addition I had an hour and a half's conversation with Aldrich and Butterworth on a variety of subjects, an evening with Thompson on Trieste, and two conferences with Sir Ivone Kirkpatrick, about which I shall report separately. [3]

At the meetings of Ambassadors we endeavored first to reach an accurate and up to the minute appraisal of the situations in Germany, France, the United Kingdom, and the United States. I think this was very valuable and will give us the most solid basis of fact which we could obtain for plans for the immediate future.

In a word, the situation in Germany is that the point has been reached when Adenauer must be able to show results from his all-out gamble on the EDC, European integration, pro-Western policy. If the French parliament ratifies, his position will be stronger than ever; if the period of uncertainty is continued during the next six weeks, he can hold the situation provided certain time-gaining moves are made; if the French parliament adjourns without having ratified or with an adverse vote, the situation will be critical.

France is absorbed in the Indo-China situation. If the Delta is lost or the Indo-China settlement is unfavorable, there will be a tendency to blame her allies, the UK even more than the US, for not coming to the rescue. If in addition we diminish the French position in Europe, the emotional reaction might lead to a fellow-traveller Government. Talk about new Governments centers around Bidault as Prime Minister with a Foreign Minister who is cool to EDC or Schumann as Prime Minister on a straight basis of postponing EDC. Thus, if left to themselves, the drift might be toward postponing action until Parliament adjourns. Much depends on the attitude of the MRP. Under these circumstances it was agreed that it is all the more necessary to put the EDC issue up to the new Government and try to force a decision before adjournment of Parliament in August.

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[1] Drafted by Kidd. A notation on the source text reads as follows: "See saw".

[2] The summary minutes of this meeting, which total 48 pages, are in file 740.5/6-954 and CFM files, lot M-88, "London Ambassadors Meeting—June 1954".

[3] No record of these meetings was found in Department of State files.

The British are extremely pessimistic about the situation in France and the chances of EDC. They also think that it is imperative to save Adenauer's position by moving ahead in Germany. Kirkpatrick would build up the German border police to 100,000 with tanks and planes. Conant is opposed to this. On all counts they would welcome concerting with us in moves to bring the EDC issue to a decision in France and to do what is necessary in Germany.

The Ambassadors reported that the "agonizing reappraisal" had not in general been taken seriously. In reporting the situation in the United States, I indicated that there should be no underestimation of the suddenness and unanimity with which a fluid public opinion—especially after an adverse turn in Indo-China—might crystallize into an attitude unfavorable to those nations who are hedging their cooperation, or as in the case of France, exercising a veto over progress with respect to Germany.

In view of the importance of the integration policy, it was agreed that every effort should be bent to bring the EDC issue to a head in France before Parliament adjourns, and to take whatever action was feasible to hold the situation in Germany. Bruce presented a plan—the "Spaak Plan" with certain modifications—for the first objective, and Conant a plan for the second.

The elements of Spaak's plan, as modified, are:

(1) A letter from President Eisenhower to Coty stating our continued interest in EDC and expectation that any new Government will act on it before Parliament adjourns.

(2) A meeting called by the Benelux countries, toward the end of June or first of July, under Article 132 of the EDC Treaty, attended by the four countries which have ratified, plus the U.S. and U.K. The purpose of this meeting would be to discuss the situation occasioned by the delay in ratification, without reference to alternatives, and to issue an appeal to the French and Italian Governments. Mention might be included that if no progress had been made before adjournment of the French Parliament, a second

meeting would be called to consider what should be done. As a first major international conference attended by Germany but not by France, it was believed that it would not be without effect upon the French.

(3) If this move brought no results, a second meeting, to which France might be invited, would be called immediately after the French Parliament adjourned or shortly before, in which each country might make proposals, not excluding restoration of German sovereignty. Since the political question of Germany's status is inseparable from that of rearmament, a request would also be made for an NAC meeting in September to consider this aspect. The question of alternatives to EDC would not be gone into by either of these six-power meetings.

(4) The conditions of the Spaak Plan were: (a) that there should be firm US–UK agreement thereto first; (b) that it should not be identified as a "Spaak" plan, although he would undertake the necessary prompting and coordinating action; (c) that he would personally approach Eden and Adenauer, as well as Bidault and the Benelux ministers, before public steps were taken.

The elements of Conant's plan are:

(1) For the High Commision in Bonn, by repealing occupation restrictions, literally to legislate themselves out of existence, thereby in substance putting the Contractual relationships into effect. There are a number of fields where this could be done, while retaining security powers and the shell of occupation control, and without doing violence to the basic tripartite agreements on Germany.

(2) The US and UK should first reach agreement, then seek to obtain the agreement of the French Government to general instructions from Governments authorizing them to proceed in this sense. A couple of months would be required in Bonn for the necessary High Commission action and collateral executive agreements with the Germans.

(3) Conant acknowledges that the difference would be more "optical" than real, but would accomplish the limited objectives of taking care of Adenauer for the next couple of months while keeping the French and Germans "within speaking distance".

The Ambassadors agreed that the "Spaak" plan, with any necessary modifications, might be most effective and should be tried. There was no objection to exploration with the British of Conant's proposals and any others which might be suitable for the German situation, with a view to an approach to the French as soon as it became apparent that the French Parliament might adjourn without action. No conflict was perceived between Bruce's and Conant's plans, nor to putting Conant's proposals into effect by unilateral action (two to one vote) in Germany, to the extent this is possible, if the French withhold agreement.

UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

UNITED STATES RELATIONS WITH THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND:[1]

A. The Truman-Churchill Talks, Washington, January 5–18, 1952

Preparations for the Talks

No. 311

741.13/11-551

Prime Minister Churchill to President Truman[2]

TOP SECRET [LONDON,] 5th November 1951.

I expect our session will be over in the first week of December. I should then propose for a few days to visit Canada where I have not been since the war. I wonder whether you would like me to come to see you, there are many things I need to talk over with you and also as Minister of Defence I should like sometime to meet your Military Chiefs. Please let me know what would be convenient and agreeable to you. I must get home before Christmas. I look forward to a renewal of our former comradeship.

Kindest regards.

WINSTON

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[1] Continued from *Foreign Relations*, 1951, vol. IV, Part 1, pp. 887 ff.

[2] According to Telac 7 to Paris (see footnote 1, *infra*) a copy of Prime Minister Churchill's message to the President was delivered by Ambassador Franks on Nov. 5.

No. 312

741.13/11-651

President Truman to Prime Minister Churchill [1]

TOP SECRET WASHINGTON, November 6, 1951.

Thank you for your cordial message. [2] I, too, look forward to the renewal of our former happy association and to an early meeting with you.

As you may know, I am shortly leaving for Florida and do not expect to return to Washington until after mid-December and will be leaving for Christmas in Missouri on the 24th. While that is a busy period because of preparation of my annual messages to Congress, I could arrange to start our meeting December 20 if that is more agreeable to you. December 27, however, would be a little more convenient for me. Also, by then our Secretary of Defense and our military chiefs whom you wish to meet will have completed their budget preparations. Please let me know which date you prefer. With warmest regards.

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[1] Transmitted in Telac 7, to Paris, Nov. 6, which is the source text. The message was repeated to London in an unnumbered telegram, with the additional information that a copy had been handed to British Ambassador Franks in Washington. The telegram also transmitted a copy of Churchill's message to President Truman, *supra*.

[2] *Supra*.

No. 313

741.13/11-951

Prime Minister Churchill to President Truman [1]

TOP SECRET [LONDON,] 9th November 1951.

Thank you for your message of November 6th. [2] Would it be convenient to you for me to come after the New Year, arriving in Washington say Thursday, January 3rd? I could stay at the British Embassy for the best part of a week and be at your disposal any time you were free to see me. Eden will be with me most of the time and I think I will also bring Lord Ismay and some military advisers.

After our talks are over I will go on to Canada and so home.

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[1] Ambassador Franks delivered this message to the Department of State on Nov. 9.

[2] *Supra*.

2. The answer I received to my telegram to U. J. was "Thank you for greetings".[3] This was, of course, my first interchange with him since Fulton or even since Potsdam. Apparently we are again on speaking terms which is about as much as I expected at this stage.

3. I hope your interlude in the Southern sunshine of Florida will be as pleasant as it is deserved. I never had any idea of disturbing you there.

WINSTON CHURCHILL

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[3] On Nov. 6 Ambassador Franks had informed the Department of State that Prime Minister Churchill had sent the following message to Stalin:

"You sent me a message when I left office in 1945. Now that I am again the head of His Majesty's Government I wish to acknowledge that message with the word 'Greetings'."

This information was transmitted to Paris in telegram Telac 6, Nov. 6. (741.13/11-651)

No. 314

611.41/12-1151

Memorandum by the Chairman of the Joint Committee on Atomic Energy (McMahon) to the President [1]

WASHINGTON, December 5, 1951.

Subject: Mr. Churchill's Visit

I take the liberty of sending you this memorandum because I have done some intense thinking about the coming Churchill visit, and because I think it quite possible that our "atomic bases" in Britain may figure prominently in Mr. Churchill's calculations.

In two recent speeches, you remember, he called attention to the existence of American air bases in Britain and indicated that, since these render his own country vulnerable to heavy retaliation from the Soviets in case of war, Britain should have a powerful voice as to the circumstances in which the United States would launch an atomic offensive. But I suspect that, in Mr. Churchill's mind, the bases in Britain mean much more—namely, that he need not come to America in any way as a petitioner and that, on the contrary, owing to the vital importance of the bases to us, he is in a strong position to argue that we must perforce furnish Britain with additional Marshall Plan funds, support Britain in the Suez dispute, etc. Such a suspicion on my part ties in with the fact that Mr. Churchill is bringing with him Lord Cherwell, his atomic expert;

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[1] Attached to a memorandum of transmission from President Truman to Webb, dated Dec. 11, which bears the handwritten notation "Sec saw".

the fact that he opposes having an agenda for the British-American talks; and his suggestion that the many problems concerning our two countries be approached "in a broad sweep".

These comments lead me to set forth the soberly considered conclusions which I reached as a result of attending the recent Strasbourg Conference where, you recall, such topics as a European Army and European economic and political unity were thoroughly canvassed.[2] It is a source of real regret to me, incidentally, that this Strasbourg Conference was not reported more extensively in our own newspapers, because I think that its impact upon the thinking of the seven Senators and the seven Representatives who attended will be felt throughout the next session of Congress.

You remember that Churchill was really the moving force in bringing about creation of the Council of Europe. In a very real sense, Churchill is also a prime mover in establishing the concept of an integrated European Army. Now it appears that Britain, with Churchill himself the newly-installed Prime Minister, will not join the European Army—and of course it appears further that Churchill wants the Western Nations on the Continent, to merge sovereignties, but wants Britain to stay out. Moveover, the Schuman Plan—it is an outgrowth of the Churchillian idea of a United Europe—is being, according to my information, secretly and subtly discouraged by the British. The reason why I refer to the European Army and the Schuman Plan is because I was deeply struck with the uncertain morale due to the deteriorating standards of living throughout the Continent, and which in turn are due to inflation.

I believe the situation is bad and may well get worse. There is a real possibility that DeGaulle will come to power in France in six or eight months and, in my opinion, if that should happen, he would be succeeded by the agents of the Kremlin. Repeatedly, my attention was focused upon the fact that Marshall Plan aid to Europe has unduly benefited the few industrialists—and that these industrialists so far as I can tell—and I have done my best to go deeply into the matter—still do everything within their power to hold down wages. I am fearful that we will ship guns to Europe, only to find that there are few except Communists or Communist sympathizers or neutralists behind the guns. We must certainly be careful that the guns we ship to Europe shall not be turned into the hands of the Communists because of failure on the economic front.

Paul Henri Spaak, the former Belgian Premier—and a first-rate man—told the Strasbourg Conference that America made a great mistake in not attaching conditions and stipulations to Marshall Plan aid. He indicated that the United States must henceforth virtually establish a system of rewards and punishments through economic help—in short, that we must give more aid where the European receiving country increases production, improves real wages, contributes heavily to the European Army, etc.; and that, conversely, we must give less aid where the receiving country follows the old policy of keeping production low, prices high, wages at a grinding minimum, etc.

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[2] For documentation on the Strasbourg Conference of the Council of Europe, held in the fall of 1951, see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 63 ff.

I feel that Mr. Spaak is dead right. When the Marshall Plan was first discussed, we had a choice between avoiding conditions and, we hoped, avoiding accusations of intervening in the internal affairs of other countries or else attaching conditions, bearing the brunt of the accusations and also perhaps accomplishing more by way of raising European living standards. We had a choice of two evils, and I suggest we chose the worst. Certainly we have been accused anyhow of interfering with the sovereignty of others, and thus we seem to have gotten the name without the game. (Quite conceivably the British Foreign Office was instrumental in selling us upon the idea of no conditions—since said office may have feared that otherwise we would compete with Britain for European markets.)

This is as far as I can remember the first criticism I have ever written of Britain in my life. I have been too conscious of the value of Britain to the security of the United States to be supercritical of these brave people.

As a result of my trip, I have become convinced that we should affirmatively and dynamically use our power, or else see Russia move in and take over. *It seems to me that we must either organize Europe ourselves or else run the severe risk of losing Europe altogether.* Needless to say, our power should be exerted wisely, judiciously, and humanely; but it must be *exerted*—that is my point.

Concerning Churchill's imminent visit, then, I suggest that we should insist upon Britain's showing greater support for the Schuman Plan, and also upon her sending at least two divisions into a European Army. Mr. Churchill says publicly that he is not coming over here to seek American funds. This is, of course, nonsense—he has no choice but to solicit more American money, and we have little choice except to give it to him. But we are entitled, I would suppose, to require absolutely that Britain contribute fully to the measures that are necessary to save Europe—and by this I mean, in part, British participation in the European Army and British support of the Schuman Plan to the extent of not sabotaging it.

I respect Mr. Churchill, but I feel definitely that it would be wise to have a definite agenda for your discussions with him, that is, listing items one, two and three and presenting them to him upon his arrival. This would further mean to me that, instead of the "broad-sweep" approach (in which our bases in Britain would loom as a dominant factor), we would get down to the solid necessity of Britain's contributing to the European Army.

Respectfully,

BRIEN MCMAHON

No. 315

741.13/11-1551: Telegram

The Acting Secretary of State to the Embassy in the United Kingdom [1]

SECRET WASHINGTON, November 21, 1951—7 : 38 p. m.
PRIORITY

2634. Re Embtel 2347 Nov 15. [2] Dept has begun preparations for Churchill talks from two standpoints (a) U.S. objectives which conversations may serve to advance (b) concessions from U.S. which Churchill can be expected to pursue. Emb views, particularly on latter, wld be appreciated.

Request Emb ask FonOff for info as to what he will wish to discuss with President; also U.S. and Canad dates and itineraries.

Dept aware Churchill will want to range freely over wide variety subjs and will not feel constrained to follow any agenda proposed, no matter how informal. Nevertheless Dept would like fullest info available his present thinking as well as Embs ideas in order prepare U.S. side. Prelim discussion under way in Dept and with other agencies on those subjs which Churchill's recent pronouncements and past interests wld suggest as likely.

Suggest Emb begin consideration as Dept has on U.S. interests which can be pressed with Churchill, bearing in mind however that relationships globally have been explored in Secy's talks with Eden. [3]

At present Dept concentrating on questions likely to be raised by Churchill including fol on which Emb's comments desired. (List omits specific area problems although there are obviously some which one or both Govts will wish to raise. These will be discussed in subsequent cables.)

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[1] Drafted by Hamilton, cleared with Bonbright, Allison, NEA, S/P, and S/AE, and initialed for the Acting Secretary by Matthews. Repeated to Paris for Secretary Acheson who was there for meetings with Foreign Ministers Eden and Schuman.

[2] Not printed; it reported that on Nov. 12 Prime Minister Churchill announced his intention to visit the United States and asked that details be forwarded to London. (741.13/11-1551)

[3] Regarding Secretary Acheson's talks with Foreign Secretary Eden at Paris in November 1951, see *Foreign Relations*, 1951, vol. III, Part 1, pp. 1312 ff.

1) Mtg of Big Four or variant thereof such as CFM, Churchill visit to Moscow which U.S. presumably wld attempt to discourage. (Some question in Dept whether Churchill wld want to make approach with or without U.S. observer if U.S. refused participation.)

2) Econ assistance. Dept doubts Churchill wld discuss aid in context mutual security program or FY 52 or 53 U.S. appropriations. Does Emb agree his approach wld be in broader terms of preservation of sterling area or over-all U.S. obligations to U.K. as partner unable to make equal contribution to western security because of U.K.'s straitened econ circumstances?

3) Re-estab combined chiefs of staff with possible inclusion of Fr which Dept is discussing with Defense. (FYI Neither Dept nor Defense favors CCS arrangement which would have powers of decision on pol or mil matters.)

4) Closer and strengthened U.S. relationship or partnership (see item 2 above) and its implications for Commonwealth, polit development of NATO, and European integration or federation.

5) Atomic questions.

Dept hopes Churchill's itinerary can be announced in full soon and gen public statement made on purposes of discussions to avoid public impression talks represent emergency mtg of critical import. Suggest Emb's approach to FonOff shld be made with this in mind. [4]

WEBB

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[4] On Nov. 23 Gifford reported that he had seen Churchill informally on Nov. 19 and had been told that the Prime Minister did not want an "agenda meeting", and had not proposed specific topics for discussion in Washington. At another meeting with Strang on Nov. 22 Gifford was informed that nothing could be determined with regard to a list of topics until Eden returned from the North Atlantic Council meeting in Rome. (Telegram 2476; 741.13/11-2351)

No. 316

741.13/11-1051

President Truman to Prime Minister Churchill [1]

TOP SECRET WASHINGTON, November 10, 1951.

The January 3 date for our meeting is entirely satisfactory, and I look forward to seeing you then. I shall also be happy to see Mr.

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[1] The source text was attached to a telegram from the Key West White House asking that it be sent to Prime Minister Churchill. A handwritten note on the source text indicates that it was handed to Ambassador Franks' secretary on Nov. 11.

Eden again, and will welcome Lord Ismay and your military advisors.

I appreciate your good wishes for Florida sunshine during my stay at Key West.

No. 317

741.13/12-751

Memorandum of Conversation, by the Special Assistant to the Secretary of State for Economic Affairs (Schaetzel)

SECRET WASHINGTON, December 7, 1951.

Subject: U.K.–U.S. Economic Talks

Participants: Mr. D. H. Rickett, British Embassy
Mr. Willard L. Thorp, E
Mr. J. R. Schaetzel, E

Mr. Thorp said that he had called Mr. Rickett in to discuss briefly some of our emerging ideas on the economic aspects of the Churchill visit, and that he was particularly anxious to have a chance to talk to Mr. Rickett before the latter got away to London.

In the first place, Mr. Thorp said, we recognized the fact that all of the information we had available up to now indicated that the Prime Minister did not intend to raise economic subjects at the January discussions, and we were not disposed to disagree with this thought. At the same time, Mr. Thorp emphasized, we are most anxious to avoid the kind of confusion that arose out of the Gaitskell visit, which in many respects was a very time-consuming business for Gaitskell, who had to repeat his economic story a half dozen or more times. [1]

As we see it, Mr. Thorp said, we would suggest that the economic problem broke down into three major elements. The first of these is the matter of short-term aid. In this connection, Mr. Thorp noted that Mr. Batt was proceeding to London and at the moment we see no particular reason why these talks need to become a part of the Truman–Churchill talks, unless, of course, there are some loose ends that need to be brought to the attention of the Chiefs of State.

The second element is what might be called the commodity-price problem. Mr. Thorp suggested that it might be wise to explore what might be called the collusive consumer action on prices. As an example, he referred to the recent arrangements worked out between the U.S. and the U.K. for cooperative action on steel and aluminum. Mr. Rickett agreed that this was not a barter as such but more a matter of discussion and exchange without bargaining. Mr. Thorp acknowledged that a substantial part of our interest in this subject is to create a setting of U.S.-U.K. collaboration which will result in the U.S. public viewing sympathetically the export of materials essential to the U.K.'s playing its appropriate role in the common defense effort. He suggested that it may well be that some of the things that are finding their way into a community will be things that the U.K. is already doing—an example might be the kinds of controls that the U.K. now maintains on the use of copper. He thought that the result of this study of commodities and prices might be a statement summed up at the January talks which, while not in an offset of columns denoting U.S. and U.K. action, would nonetheless give the public a picture of broad cooperation in this important area.

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[1] For documentation of the U.S.-U.K. financial talks, held at Washington in September 1951, see *Foreign Relations*, 1951, vol. IV, Part 1, pp. 959 ff.

Finally, Mr. Thorp said that we have been thinking about the desirability of a joint look at the long-range problems of the sterling area and the U.K.—what the situation actually is; what are the significant factors; what are we doing that is strengthening or weakening the sterling area; etc. We have been thinking about the desirability of suggesting that there emerge from the Truman-Churchill talks a brief paragraph which would say that agreement had been reached on setting up this sort of study group, which would be asked to report perhaps in March. Mr. Thorp suggested that the kinds of people we had in mind were those of the Bowen, Plowden or Rickett type on the British side and Reifler, Bissell, Thorp or Stinebower on the U.S. side.

With respect to timing and organization, Mr. Thorp said that the assistance end of this was already under way and there was no reason to upset those arrangements. While there had been some thought on the part of ECA that Batt might get into the commodity and price area, that seemed to be somewhat unrealistic. On this latter area, Mr. Thorp felt it would be particularly useful to get started as early as possible, preferably the week of the 10th. At this juncture Mr. Thorp emphasized again the desirability of keeping this operation coordinated as a means of saving everyone's time. Mr. Rickett replied that for these talks he proposed that Burns, Christelow, Knollys and himself provide the U.K. team, and that, while he would be in London the week of the 10th, the other three men would be available at any time; he suggested that they would await a designation of a point of contact by Mr. Thorp. Mr. Rickett hinted of the interest his government would have in continuing an organization of the kind Mr. Thorp suggested, a point which Mr. Thorp avoided.

Mr. Rickett said that all of these suggestions made a great deal of sense to him and he was quite confident they would be supported by his government. He said he was sorry that he had made arrangements to be in London but, on balance, he felt it was desirable for him to be present on the assistance question. He said he would come back sooner than he intended, and it was left that if this seemed desirable, we could work out a suggestion of this sort with the Embassy. In any event, he said he would see if Rowan could not come over in advance of the Churchill entourage, which would be generally helpful in going through the advance items that will need to be considered in the commodity and price field.

It was in this connection, Mr. Rickett said, that the "Paymaster" was coming along with the Prime Minister in the role of "statistician" and that the party would also include a Mr. McDougal, another statistical expert. In answer to a question, Mr. Rickett said that it was natural for the Prime Minister to have Sir Leslie Rowan in the delegation in view of his wartime service as Churchill's private secretary, but that, in any event, it was understood that Rowan would be representing the Treasury in the talks.

611.41/12-1051

No. 318

Memorandum of Conversation, by the Under Secretary of State (Webb) [1]

TOP SECRET WASHINGTON, December 10, 1951.

Meeting With the President, Monday, December 10, 1951

I assume that Mr. Matthews will prepare notes on the meeting between the President, the JCS, the Service Secretaries, and the State Department today. [2] If he wishes me to dictate any part of this I will be glad to do so.

1. After the meeting in the Cabinet Room, the President asked me to go into his office and said he would like to talk with me for a few minutes at that time rather than to have the regular 12:30 appointment. The President first mentioned the forthcoming Churchill visit and expressed a desire that steps be taken to get together all of the material which we would wish to bring up with Mr. Churchill and his advisers. I told him that we were already working on the agenda we would wish to propose to him and that we

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[1] Copies of this memorandum were sent to Bonbright, Matthews, Allison, and Knight on Dec. 11.

[2] No record of this meeting has been found in Department of State files.

were having meetings with the representatives of the other Departments, including Mr. Elsey, from Mr. Harriman's office.

The President expressed a strong desire to obtain agreement from Mr. Churchill, if possible, that he and the U.K. would go all out for us in Asia rather than follow the policy of dragging their feet as in the past. Although he did not say so, I gathered that he felt the events of the recent past justify our policy and indicate the lack of wisdom of the British policy. In any event, he thinks they should strongly support the things we feel we have to do in that part of the world.

The second point mentioned by the President was a desire to get Mr. Churchill to agree to cooperate fully and completely with Secretary Acheson in the European defense program and to do all possible to push the French into action.

2. I advised the President that we were concerned that Mr. Churchill might attempt to conduct the negotiations on the same kind of personal basis that he was able to employ with President Roosevelt. The President stated, just as he has previously stated, that this was not his desire; that he wished his advisers present; that he wished an agenda made up for the meetings; and spoke of the way the Potsdam meetings were conducted as a desirable way to proceed. He asked me if Mr. Churchill had given us an indication of what he wished to talk about and I told him we had very little that we considered of value up to this time but had asked our Ambassador in London to take up with Mr. Eden the implications of the probability that the President might not wish to conduct the meetings as informally as Mr. Churchill seems to desire.

James E. Webb

No. 319

741.13/12-551: Telegram

The Acting Secretary of State to the Embassy in the United Kingdom [1]

SECRET WASHINGTON, December 9, 1951—12:01 p. m.

2845. No distribution outside State. For Gifford from Matthews. Re Embtel 2608, Dec 5. [2] While we appreciate Eden's assurance

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[1] This telegram was drafted by Knight and cleared with Matthews.

[2] Not printed: it reported the composition of the British Delegation which would accompany Churchill to Washington and added that Eden had stated that Churchill's aim was to produce results at Washington which would show the world the intimate friendship between the United States and the United Kingdom. Eden added

Continued

that we need not worry that any startling matters will be sprung by Churchill during his visit and while we are pleased by Eden's assurance that he will inform you soonest subjects to be discussed by Churchill, we think it wld be wise for you seek further convince Eden advisability permit us prepare, as fully as possible, for forthcoming talks. We fully appreciate Prime Minister's idiosyncrasies concerning personal diplomacy and aversion to agenda talks but think ends both our countries better served if he realized perhaps more fully than he now does different circumstances under which he will be operating in Wash. For example, you might explore with Eden implications of probability that President will insist on having Secretary, Harriman, and Lovett as minimum number advisers with him for all exchange views. As you know, President will not wish commit himself excepting on basis Govt positions fully cleared with interested Cabinet rank officers. It is, therefore, really essential, to avoid confusion, delays and loss of time when Prime Minister here, that we receive as detailed info as possible concerning subjects which he will bring up.

WEBB

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further that the United States did not need to worry about Churchill introducing any unexpected subjects. (741.13/12–551)

No. 320

741.11/12–1051

Prime Minister Churchill to President Truman [1]

SECRET [LONDON,] December 10, 1951.

Anthony and I are looking forward to our visit to Washington. We shall arrive by the "Queen Mary" on January 3 and would like to dine quietly at the Embassy that night. If convenient I could call upon you on the 4th. Although I am bringing two of my colleagues besides the Foreign Secretary, namely Lord Ismay and Lord Cherwell, and two out of the three Chiefs of Staff, namely the Chief of the Imperial General Staff and the First Sea Lord, I have not contemplated a pre-arranged series of conferences. We are drawing up a list of general topics for your consideration. I thought we would stay a week or so in Washington and make such contacts as were agreeable to you and to your officers. My wish and object is that we should reach a good understanding of each other's point of view over the whole field, so that we can work together easily and intimately at the different levels as we used to do. Anthony has already had many good talks with Dean Acheson. I have not yet met Mr. Lovett nor have I seen Mr. Snyder for several years. (I hope it may be possible to arrange a few informal meetings or meals some of which I should be glad to have at the Embassy if you think well.) Before leaving England I shall, on December 22, make a broadcast about "the state of the Nation", and in this I shall discount beforehand any exaggerated hopes which may be attached to our meetings and put it in its right position as the renewal of close confidential ties between those who are resolved to serve the same great causes.

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[1] The source text bears the typewritten notation "Private and Personal Message from Prime Minister to President Truman, dated 10th December 1951." A handwritten note on the source text indicates that a copy of this message was transmitted to the White House on Dec. 12.

After leaving Washington I shall stay a couple of days in New York with Bernie.[2] The only public engagement I have in mind is perhaps to address the Order of Cincinnati, of whom I am a member, at Rochester, New York, where my grandfather lived and began his career, but I have made no promises or fixtures. After New York I go to Ottawa and shall probably fly home from there.

I thought you would like me to let you know the way I was looking at my visit and I should be grateful if you would give me your reactions. Above all, I do not want to add to your burdens, knowing well what they must be.

WINSTON

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[2] Bernard M. Baruch, American economist and former government official.

No. 321

741.13/12-1351

President Truman to Prime Minister Churchill[1]

SECRET WASHINGTON, December 13, 1951.

Thank you for your letter of Dec. 10,[2] giving me your thoughts about some of the details of your visit to Washington. It will be a pleasure to have you here and I am looking forward to seeing you and your colleagues. I presume that some of those mentioned in your letter will participate in our talks, and on my side I would naturally include Dean Acheson and other of Cabinet rank such as Bob Lovett and Averell Harriman. It might also be advisable on occasion to have the views at our talks of General Bradley and other Service chiefs.

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[1] This message was transmitted to London in telegram 2903 with the instruction that it be delivered to the Prime Minister.

[2] *Supra.*

I shall be glad to receive your list of general topics for discussion to which you referred. I always feel that conversations covering problems of such magnitude run along more smoothly if conducted according to a general plan of procedure. I am also having a list of subjects prepared. After we examine each other's list, I hope we can then work out a frame of reference for our talks.

As you will no doubt know, I am planning a luncheon for you on January 4, and it might be a good idea to have our first conversation in the morning before the lunch. We can meet again on the 5th if you like. Then there might be an interval in our direct discussions during which you may wish to see other people in Washington and when the subjects which we have already brought up might be considered in greater detail by our colleagues.

It is my sincere belief that talks of this sort reinforce the close ties that link our two countries, the maintenance of which is of vital importance. I believe, however, that you are wise in your proposed broadcast on "The State of the Nation" to attempt to avoid the impression that our meetings will produce easy solutions to the many serious problems facing us.

Once again I want you to know how delighted I shall be to see you here and to have this opportunity for a frank exchange of views.

HARRY S. TRUMAN

No. 322

G/PM files, lot 68 D 349

The Chairman of the Science Advisory Committee (Buckley) to the President

SECRET WASHINGTON, December 20, 1951.

MY DEAR MR. PRESIDENT: On the occasion of a recent visit to this country, Sir Henry Tizard, Chairman of the Defense Research Policy Committee of the United Kingdom, informed me of representations to be made by Mr. Churchill on his forthcoming visit, which I feel should be brought to your attention.

There is an existing agreement with Great Britain and Canada providing for the full exchange of technical information in matters of defense research and development, with the exception of atomic energy and a few other special subjects. The British have been critical of the effectiveness of the present implementation of this agreement at the operating level, and Mr. Churchill is expected to urge a modification of current practices in the exchange of technical information.

Sir Henry Tizard also informed me that Mr. Churchill will ask for a closer relationship between the United States and the United Kingdom and Canada in the field of atomic energy.

Mr. Churchill's advisers may be expected to have well defined proposals. You may wish to take steps to define the U.S. position in these matters in anticipation of his arrival.

In transmitting this information to you, I take the opportunity of expressing the views of the Science Advisory Committee on the exchange of technical information with our allies which are amplified in the attached memorandum. The Committee feels that there is a great reservoir of technical resources, not only in Great Britain and Canada, but also in the NATO nations, which is not, but ought to be, fully utilized and is urgently needed for our own national security and for the defense of Europe. In any joint undertaking such as NATO, common effort and the cooperation of all groups is an essential to success, but basic to cooperation is free interchange of information. This is especially true in scientific research and development. Our allies need our help, but equally we need theirs.

The Committee believes that steps should be taken to explore the practical limitations that now are being applied to exchange of technical information with Great Britain and Canada and to seek means for better implementation of existing policies. We feel, however, that before concluding any definite changes in the arrangements with the United Kingdom and Canada there is need at least to consider the nature of possible arrangements with the other NATO countries.

In view of the short time which may elapse before these questions come up, my suggestion is that an *ad hoc* committee, consisting of a representative from the Department of Defense, a representative from the Atomic Energy Commission, a representative from the Department of State, and possibly also someone from outside these departments who has experience in these matters, be appointed to carry on discussions with Mr. Churchill's representatives and to formulate appropriate recommendations for your consideration. Members of the Science Advisory Committee could be of considerable help to such a committee.

Respectfully yours,

OLIVER E. BUCKLEY

[Attachment]

Memorandum by the Science Advisory Committee

SECRET [WASHINGTON,] December 11, 1951.

On Exchange of Technical Information With Allies

Views of the Science Advisory Committee

In formulating its views on the exchange of technical information, the Science Advisory Committee recognizes that in certain areas there are limitations now imposed by law and that transmission of any technical information involves risk of valuable information becoming available to our enemies. This risk must, however, be weighed against prospective benefits. Often, in military research and development, rapid rate of progress and achievement is the best security safeguard. The competence of the combined Western nations in science and technology is so high that a full cooperative effort is the best guarantee of supremacy. The Committee recognizes, however, that as regards both benefits and risks different allied countries are, through force of circumstances, in different positions.

The Committee recognizes, too, that all arrangements for exchange of technical information should be limited by normal precautions against premature disclosure and by protective measures for patenting new inventions and for preserving the rights of private individuals and companies. Subject to these considerations the Science Advisory Committee has the following opinions.

1. As regards information outside of the field of atomic energy, there should be full exchange with Great Britain and Canada of technical information in matters of defense research and development, restricted only in the way in which it is restricted in this country. The Committee believes that the benefit to our military strength of such exchange, through the cooperation which it will foster, will more than offset any unfavorable consequences. This policy is, in the Committee's opinion, consistent with existing international agreements, but there exists some question as to the effectiveness of the present implementation of policy that suggests need for a review of current practices in this regard.

2. With other countries of NATO there should, for the same reasons, be exchange of information adequate to the practical needs of NATO defense. A considerable flow of technical information is obviously necessary if our allies are to be able to make effective use of new military instrumentalities which have been developed in the United States and if we are to benefit from the substantial contributions which can be made by allied scientists. In this connection it is possible that the Science Advisory Committee may be able to be of some assistance in consideration of means for extending

the area in which we talk freely to our allies and of the advantage which we can expect to gain from cooperation with their scientists.

3. As regards information on atomic energy, there are different problems involved, including those of special legislation, but there still applies the advantage of the greatest possible freedom and encouragement of scientific intercourse. To this end there is need for exploring and defining areas in which interchange of information would be mutually advantageous and for more liberal legislation to permit such interchange under proper safeguards. Beyond this there is need for special cooperative arrangements with Great Britain and Canada directed at achieving the maximum exploitation of our joint resources.

No. 323

CFM files, lot M 88, box 160, "Steering Group Memoranda"

Paper Prepared in the Department of State [1]

SECRET [WASHINGTON, December 21, 1951.]
[TCT Memo 3b]

APPROACH AND OBJECTIVES FOR THE CHURCHILL TALKS

A. ANTICIPATED APPROACH AND OBJECTIVES OF MR. CHURCHILL

It is clear that the major objective of Mr. Churchill is to strengthen and to re-emphasize the partnership between the United States and the United Kingdom in world affairs. He has been critical of the Labor Government which he believes permitted this relationship to be impaired. Furthermore, he recalls the intimate personal relationship which he had with the late President Roosevelt and also the close working military relationships which existed during the war.

He may, therefore, desire to work out a new high level personal relationship with the President. He may, in the military field, advocate the creation of a body resembling the war-time combined Chiefs of Staff (although Ambassador Franks tells us this will not be raised). He will also almost certainly attempt, by institutional or public means, to make the US–UK relationship more obvious in the world. A corollary objective but one which he will no doubt stress strongly is to plead for US support in the difficult situations throughout the world in which British direct interests are threatened, specifically in the Near East. Mr. Churchill undoubtedly feels keenly the lessening world role of the UK and will attempt to make it a more positive one through this US–UK relationship and in so doing may make a strong attempt to exert more forcefully than did the Labor Government the UK's positions. The fourth quarter UK gold and dollar reserve figures will probably look very bad and thus financial considerations will be apt to color his thinking on many issues. For instance, in cases where we might ask the UK to do something his reply may well be, "What will this cost us?".

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[1] The source text was attached to a cover sheet which indicated that this paper was being circulated as TCT Memo 3b and that it had been prepared as an overall statement of the objectives of the talks. Two previous drafts of this paper, TCT Memos 3 and 3a, dated Dec. 16 and 17, respectively, were prepared along similar lines, but lacked the detailed statements under various sections of Part C. Copies of these two drafts are in CFM files, lot M 88, box 160, "Steering Group Memoranda".

He will also probably attempt to obtain a closer working relationship on atomic energy and in this connection may bring up the problem of determining the circumstances under which the US airfields in the UK may be employed. Other specific questions which Churchill is bound to raise include Korea, China, Egypt and Iran.

Mr. Eden also told Secretary Acheson at Rome [2] that Mr. Churchill intended to raise the question of the Supreme Allied Commander Atlantic. Last spring Mr. Churchill protested in Commons against the nomination of a US Admiral. While he may not ask that this post go to a Britisher he will probably seek greater recognition of the UK role in this area and particularly in Eastern Atlantic waters off the UK.

It should be borne in mind that Mr. Churchill thinks in terms of grand global strategy. He will not be interested in going into details or working out in these meetings specific and detailed solutions to problems. In the "grand" manner he can be expected to tour the world and make observations on a multitude of questions. All of these random observations, however, are apt to have the objective of pointing towards the several specific requests he will make of us. It has been suggested, therefore, that after one or two initial general discussions at this level that there should be an interval in these talks so that on questions on which we would desire to have decisions reached officials would have an opportunity to work out details. It is probable, however, that very little in the way of decision should be attempted at these meetings. Mr. Churchill's message to the President [3] indicates that he plans to lay the ground work for this in an address he will make before leaving the UK.

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[2] Regarding Secretary Acheson's discussions with Foreign Secretary Eden at Rome in November, see the editorial note on the Foreign Ministers meetings at Rome and Paris, November 1951, in *Foreign Relations*, 1951, vol. III, Part 1, p. 1312.

[3] Document 320.

B. US POSITION ON MR. CHURCHILL'S MAJOR OBJECTIVE

The question of the US-UK relationship should be met "head on" and raised by us as a specific question in the unlikely event he does not do so.

Our position should be about as follows:

1) Reassure Mr. Churchill that the US-UK relationship is a cornerstone of US foreign policy.

2) Point out, however, the pitfalls of making this relationship too obvious.

> (a) The adverse effect of such a course on other countries especially the continental countries and specifically France.
>
> (b) Making the point that the US-UK relationship is of greatest constructive benefit when it underlies broader multilateral actions—in NATO, in the UN, in the developing Middle East arrangements, and in the general struggle to resist Soviet aggression.
>
> (c) In the Middle East and Asia, there is the disadvantage of the US becoming "tarred with the Colonial brush" although we recognize at the same time that a reflection of division between us should be avoided in order to prevent states in the area from playing us off one against the other.

3) While the British Ambassador has told us that Mr. Churchill does not intend to suggest the reactivation of the wartime Combined Chiefs of Staff or the creation of bodies which would overtly symbolize the US-UK partnership; we cannot exclude the possibility that he may do so. In this case we should point out the special reliance and importance which the US places on the UK, its strongest and most dependable ally, but also point out the possible harmful effects of such moves. Our other allies, principally France, might relax their efforts interpreting a Combined Chiefs of Staff, or other such bodies, as proof that the US is basing its real defense plans exclusively in cooperation with the UK.

4) Advocate a continued and intensified close relationship including the following:

> (a) Consultation between officials of the two governments directly handling problems, at the time they first arise.
>
> (b) A continuance of the practice of periodic review by officials of the two sides on area or functional problems falling under their jurisdictions.
>
> (c) Occasional official level reviews on a world-wide basis bearing in mind world-wide objectives and the US-UK relationship such as was done in the preparatory meetings in London in April 1950. [4]
>
> (d) A continuation of politico-military talks on carefully selected subjects. [5]

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[4] For documentation on the U.S.-U.K. preparatory talks at London in May 1950, see *Foreign Relations*, 1950, vol. III, pp. 828 ff.

[5] For documentation on the U.S.-U.K. political-military talks during 1951, see *ibid.*, 1951, vol. IV, Part 1, pp. 887 ff.

(e) A continuation of the practice of ministerial meetings as often as the other means of consultation suggested indicate their desirability.

(f) Both countries, of course, require freedom of individual approach to third countries including the Commonwealth. In advance of consultation on the intimate bases proposed above, however, the two governments must decide whether the discussions are to be held on a confidential basis or, if not, the conditions under which they are to be reported to other governments, including the Dominions. We regard this as of great importance. Both countries have on occasion been delinquent in this respect.

C. US OBJECTIVES IN THE TALKS

I. USSR Problems

a) *Basic differences in US and UK Approach to the USSR*

While recognizing the geographical, strategic and economic factors which cause the UK to take a somewhat softer line on questions such as negotiating with the Soviet Union and on East-West trade, we should attempt to convince Mr. Churchill of the realistic soundness of the fundamental US evaluation of the Soviet threat. If Mr. Churchill raises as he may (although Franks tells us he will not) the question of a high level meeting with Stalin, we should reply that while the US certainly does not consider war inevitable and has not abandoned the principle of negotiatng with the USSR, it does not believe that the West should take the initiative in proposing such a meeting. The attending propaganda probably would hurt the West because it would raise false hopes, risk further polarization, and might give rise to public demand for unwise concessions on the part of the West.

In our view it is unrealistic to expect a solution of the outstanding major issues until the Western world has attained a position of strength more equal to Soviet power, as one of the essential requirements for dealing successfully with the Soviets. Any solution of our difficulties with the USSR on the basis of "spheres of influence" would not be acceptable to American public opinion. Furthermore, it is unworkable from a practical standpoint because of Kremlin control of Communist Parties outside the USSR which can operate in complete violation of such agreements without involving the Soviet government.

II. US–UK Special Relationship

a) *Nature of US–UK Consultations* (discussed in Section B of this paper)

b) *War Planning to Include the Re-Creation of the Combined Chiefs of Staff* (discussed in Section B of this paper)

c) On atomic energy, it is probable that we will not be able for legislative reasons to meet very much of what Mr. Churchill may put up to us. The problem of handling this matter deserves special thought.

d) As to the use of the Midlands Bases, our view is that we should frankly agree with Mr. Churchill that we recognize that these bases could not be used in event of hostilities without British consent.

III. European Problems

a) *European Integration*

1) Ascertain Conservative Government's views.

2) Although we understand and, in the main agree with the reasons why the UK does not intend to federate with the Continent, we do feel that the UK should (1) encourage and participate fully and effectively in various cooperative arrangements such as the OEEC which do not involve a relinquishment of an element of their sovereignty and (2) support, encourage and use their influence where possible to help the development on the Continent of such arrangements as the Schuman Plan and European Defense Community. We agree with the British that closer European association must take place within a strong North Atlantic framework, and that the NATO should be the primary organization in which we, the British and Western Europe work toward mutual objectives.

b) *European Defense*

1) Secure fullest British support for EDC. Mr. Eden asked the Secretary in Rome for his opinion concerning the helpfulness of a limited UK participation in the EDC. The Secretary answered that by introducing such a major new element at this time the conferees might be supplied with a reason for further delay and advised that such a British offer be postponed until it could be determined how the new talks at the Ministerial level were moving. The ministers met on December 11 and 12 at Strasbourg and will meet again on December 27 in Paris.[6]

2) Should Schuman report, before the end of the Churchill visit,[7] the inability of conferees to reach agreement, we should obtain UK support for an alternative plan to secure German participation in defense of the West. (Consideration should be given before the talks to raising this question in an exploratory manner with Mr. Church-

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[6] For documentation on the meeting at Paris of the Foreign Ministers of the countries participating in the conference for the organization of a European Defense Community, see *Foreign Relations*, 1951, vol. III, Part 1, pp. 980 ff.

[7] Prime Minister Churchill was scheduled to visit Paris Dec. 17-18.

ill.) Such a plan must be developed promptly in the government. In view of the harmful effects on final efforts of the Paris Conference to succeed, utmost security precautions should surround discussions of any alternative plan.

c) *TCC*

Between now and Mr. Churchill's arrival it will be determined whether or not any aspects of the TCC recommendations should be discussed (other than NATO reorganization which Mr. Churchill intends to bring up). [8]

IV. Middle East Situation

a) *General*

We should reassure Mr. Churchill that we have every intention of supporting *legitimate* British interests in the area and attempting to arrest and, indeed, reverse the loss of British prestige and influence which has been taking place.

We should, however, indicate that to be successful in these endeavors some adjustment and flexibility of British policy designed to meet the new forces of nationalism, etc., appears to us to be imperative. We should also stress that while as a short-term proposition we will have to continue in many cases to support existing friendly governments regardless of internal policies that such a short-term policy is only a palliative and cannot go to the root of the problem. We must endeavor to elicit Mr. Churchill's acceptance and support of the concept that to get to the roots of the problem long-range economic and social development programs must have our joint support and should be the subject of continuing US–UK consultations.

We must recognize that certain places in the area are of such strategic importance (for example, the Suez) that they must be maintained by the West even if resort to force is necessary. In this connection an examination as to the capabilities and intentions of the Commonwealth would be useful.

b) *Specific Topics*

1) *Egypt*

We support the maintenance by the United Kingdom of its treaty position in Egypt, but believe that this stand-fast policy only meets short-range needs. Egyptian cooperation with, or at least its conformance to, Western strategic needs must be sought for longer-range purposes. Some concessions on the Sudan will probably be required. The course which the Egyptian situation takes will profoundly affect the Western position both short or long-range in the

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[8] For documentation on the report of the Temporary Council Committee (TCC), see vol. v, Part 1, pp. 203 ff.

Arab world and the United States considers it imperative that every effort be made to settle the problem. One possibility is a "package deal" involving a concession on the Sudan in exchange for Egyption acceptance of Sudanese self-determination and Four Power Defense Proposals.

2) *Iran*

We should stress the following:

(*a*) The desirability of the British Government appointing a man such as Lord Brand to take a fresh look at the oil problem and to consult with us on it.

(*b*) Emphasize our apprehension of the Communists through the Tudeh or otherwise taking over if the situation is allowed to drift.

(*c*) Ending up with the strongest kind of argument on the necessity of reaching a settlement, even with Mosadeq, should he remain in power.

(*d*) At the moment the present efforts of the IBRD would appear to offer the most hopeful possibility and therefore should be pursued diligently.[9]

Note: Rapidly moving developments may well require revision of this position.

V. Far East Situation

a) *Korea*

There should be sufficient discussion of our general views in the contingencies of (1) obtaining an armistice, (2) failing to obtain an armistice or (3) an armistice being violated so that our two governments will be in general agreement and able to move together quickly. Our position will be that contained in NSC 118/2, just approved.[10]

b) *China*

We should be under no illusions that the British Government is likely to move very far or fast in changing its position on recognition although its thinking is probably closer to ours than that of the Labor Government. We should state with emphasis that in our view British recognition has been a failure, Peiping has not reciprocated, British recognition has in no apparent way influenced the Chinese Communist regime and we are not aware of important accomplishments having resulted. In the meantime our divergence of policy results in divisions in the U.N., inconsistencies in policies and actions in Korea and denies in the Far East the unity between the UK and US which characterizes our relations vis-à-vis most other areas. We should make clear to Churchill that we have in no way modified our estimate of the importance of the off-shore island chain, including Formosa, for Western security. We believe that any further extension of Chinese Communist power, in Formosa or in Southeast Asia, is a threat to free-world security and should be resisted. We should inform Churchill that we sincerely believe the time has come for the British to accept our viewpoint. If that is not possible at this time, we should urge him to a serious and continuing re-examination of the British position on the China complex.

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[9] Documentation on the attempt of the International Bank for Reconstruction and Development (IBRD) to solve the Anglo-Iranian oil dispute is scheduled for publication in volume x.

[10] For text of NSC 118 "U.S. Courses of Action in Korea", see *Foreign Relations*, 1951, vol. vii, Part 1, p. 1106.

c) *Japan's Relationship to Nationalist China*

(Statement to be made by the President only in answer to a question by Mr. Churchill)

We feel that the Japanese Government should not be prevented from undertaking to normalize relations with the Chinese Nationalist Government by concluding a bilateral treaty to restore peace and re-establish relations within territory under actual control of each party. Such treaty would leave for future development relations between Japan and any Chinese area not under Nationalist control. Japan has been given a free negotiating choice by the terms of the Treaty of Peace and if Japan chooses to negotiate with the Chinese Nationalist Government the spirit and purpose of the Dulles–Morrison agreement would likewise be reaffirmed.

VI. Other Political and Military Questions

a) *SACLANT* (to be filled in following receipt of Defense's paper [11])

b) *Standardization of Small Arms*

We should point out that we are unalterably committed for the foreseeable future to the .30 caliber ammunition and the weapons which use it. Our assets in this equipment run to $800 million here and abroad. Other countries have also been supplied with this equipment and some are producing it themselves. On the other hand, the British are not yet deeply committed to the .280 caliber rifle and ammunition. Therefore, we should strongly urge that the British adopt the American equipment and initiate the manufacture of it.

c) *NATO Reorganization*

We believe that a serious study should be undertaken of the possibility of NATO reorganization to reduce the present lag between recommended courses of action and decisions by the twelve governments. This problem will never be completely eliminated but some improvement is possible. The US feels, however, that no commitment should be made for reorganization until it is certain that it will result in improvement.

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[11] This paper has not been identified further; however, TCT D-6/1a, dated Jan. 4, 1952, "The Appointment of SACLANT", presents the U.S. position in the following manner: "To obtain the establishment of a SACLANT and the designation of a U.S. naval officer as SACLANT without further delay". (CFM files, lot M 88, box 160, "Documents D-6 Series")

The creation of the post of executive director (a sort of political level Eisenhower) has been suggested and is worth study. Possibilities in building up the stature and authority of the Council of Deputies also should be considered.

The US has reached the conclusion that NATO should prepare to consolidate NATO agencies in one city. The present split between London and Paris causes a great deal of unnecessary expense, delay and confusion.

VII. Economic Questions

1) *Current UK Economic Crisis*

Our reports are that Churchill does not intend to go into this question in detail and it is hoped that a decision on aid for fiscal 52 will be taken before the talks. A background memo, however, showing the current status of the problem is under preparation.[12]

2) *Increasing UK Coal Production*

Admittedly the problem of increasing UK coal production has been an almost insoluble one and even the labor Government was unable to secure the cooperation of the unions to the extent necessary to effect a cure. Nevertheless, considering Mr. Churchill's boundless drive and energy it is possible that if he made this a class one priority target he could pull off a miracle.

3) *Commodities*

It is probable that Churchill will raise the questions of British requirement for steel and US procurement of tin. US positions on the subjects are being prepared.[13]

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[12] The position paper under reference here is TCT D-7/1, dated Jan. 2, 1952, not printed. (CFM files, lot M 88, box 160, "Documents D-7 Series")

[13] The position papers under reference here are TCT D-7/3 and D-7/4, dated Jan. 3, 1952, neither printed. (CFM files, lot M 88, box 160, "Documents D-7 Series")

No. 324

740.5/12-2451

Prime Minister Churchill to President Truman [1]

TOP SECRET [LONDON,] December 23, 1951.

Thank you for your message through the American Embassy of December 15th. [2] We shall doubtless be discussing further the detailed arrangements. The general list of topics we have in mind is shown below. We should be glad to receive, as you suggest, the list which you are having prepared.

Topics for Discussion in Washington

1. *Defence.*
   - (a) Organisation of the West for defence (including economic and organisational questions).
   - (b) The European Army.
   - (c) The Atlantic and other Commands.
   - (d) The strategic air plans and the use of the atomic weapon.
   - (e) Technical co-operation in atomic energy.
   - (f) A rifle.

2. *Foreign Affairs.*
   - (a) General survey.
   - (b) Policy towards the Soviet Union.
   - (c) Far East.
   - (d) South East Asia.
   - (e) Middle East.
   - (f) Atlantic Community.

3. *Economic Questions.*
   - (a) The economic position and problems of the United Kingdom.
   - (b) Steel and equipment.

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[1] The source text bears the typewritten notation "Text of a Message from Mr. Churchill to President Truman dated 23rd December 1951". According to a memorandum by Matthews, dated Dec. 26, the note was delivered by Ambassador Franks on Dec. 24. (740.5/12-2451)

[2] Presumably a reference to Document 321.

No. 325

741.13/12-2751

President Truman to Prime Minister Churchill [1]

TOP SECRET WASHINGTON, December 27, 1951.

Thank you for ur msg of Dec 23 [2] received through the Brit Emb giving me the list of topics which you have in mind. This list in gen fols our own ideas as to what might be profitably discussed between us.

We are particularly anxious to cover the Eur Def Community, our relationships with the Continent and the relationship of Ger with the West.

Under ur Far East heading I wld like to have a gen review of our respective policies with regard to China. Korea shld also be covered as well as the matter of Japan's relationship to nationalist China. I am looking forward with interest to getting your views about the critical situation in South East Asia.

We assume that under Middle East you will desire to talk about such specific problems as Egypt and Iran and the coordination of our policies in the ME area as a whole.

In addition to ur suggestion that we discuss steel, I think we can extend this to a few other strategic materials.

I suggest that we hold regular mtgs with out advisers on Sat morning, the 5th, in the morning and afternoon of Mon, the 7th, and Tues morning, the 8th.

In view of the uncertainty of the arrival time of the *Queen Mary* on Fri, Jan 4, I think it may be wiser to have our luncheon on Sat, the 5th, instead of Fri as we had originally planned.

In addition, I hope that you will be able to dine with me on the *Williamsburg* Sat evening. I am looking forward with particular pleasure to that occasion as an opportunity for a good informal talk.

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[1] This message was transmitted to London in telegram 3062 for delivery to Prime Minister Churchill as soon as possible.

[2] *Supra.*

No. 326

741.13/12-2851: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State

SECRET PRIORITY LONDON, December 28, 1951—7 p. m.

2898. Embtel 2784, Dec 18. [1] Fol are our thoughts on Churchill visit including comments on PM's list of topics and on paper forwarded with Raynor letter Dec 17 (TCT memo-3a). [2]

I. *General.*

A. While gen Brit situation is well known, it may be helpful to remind ourselves of some of its basic elements as background for Churchill's talks. Brit are proud and sturdy people who have worked hard to recover from immense damage of two world wars. A year ago they were convinced they had achieved substantial success and were looking forward to further econ gains and hoped for an easing of internatl tension. This situation has been substantially altered and they have now been plunged back into serious econ difficulties which will affect their attitudes as well as their well being. Although often loathe to admit it, thoughtful Brit realize that they are overextended economically, politically and militarily; they have perhaps been attempting too much and their commitments, which they have inherited from days of their greater strength, are now too great for their resources. They are trying desperately to maintain their position as a first-class power, seat of empire, head of Commonwealth and center of sterling area. They are aware of the thin margin on which they operate, both economically and in internatl political field, which causes them to be extremely sensitive to any hint that our position is not consistent with theirs, especially in areas where they have had primary responsibility. They are perfectly prepared to recognize they occupy a junior position in partnership with US but are convinced they have much to offer in experience, wisdom and positions of influence around the world.

B. There is no doubt that Churchill's principal objective is to re-emphasize close and intimate relationship between US and UK. Specific topics discussed and possible agrmts or decisions reached are definitely subsidiary in his mind to this principal purpose.

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[1] Not printed; it reported that Churchill had been very vague about the substance and procedure for the upcoming talks, but that Embassy officials in London were seeing the close associates of the Prime Minister to get as accurate an impression of his intentions as possible. (741.13/12-1851)

[2] Not printed, but see Document 323. The letter from Raynor has not been identified further.

Churchill inevitably thinks in terms of close US-UK association during the war, feels Labor Govt was inept in handling its relationships with US and believes US-UK imtimacy can to large degree be re-established. He is supremely confident of his understanding of America, constantly referring to his "American cousins", and feels he is especially qualified to bring us closer.

C. Churchill feels that danger of war is lessening but will continue during 1952 and 1953 and that rearmament program shld continue. However he seems to share to some extent gen Brit fear that western resources might be too extravagantly devoted to rearmament after 1953, with risk of serious danger to basic west econ structure, ultimately resulting in a relatively weakened position vis-à-vis USSR. Although Churchill has no doubts whatever as to US motives, he probably does feel US inclined to be impetuous and thus unnecessarily increase danger of war.

D. Churchill is definitely aging and is no longer able to retain his full clarity and energy for extended periods. Also he is increasingly living in the past and talking in terms of conditions no longer existing. These developments in his personality mean that he is more difficult to deal with while at same time his advisers have gained in power and stature. In FonAff field for instance Eden is more and more inclined to stand up for his own views. While members of Govt of course continue to defer to Churchill's idiosyncracies, Eden and Butler in particular are developing real independent stature and influence in party. This will be important in discussion of topics such as Sudan for instance, on which Eden feels strongly (see below under ME).

E. All our Brit contacts emphasize that the agenda is largely Churchill's personal work and that he is making his own decisions on lines he intends to follow in discussions. He is not only being close-mouthed about his thoughts but has probably not yet made up his mind on many details and is of course notoriously unpredictable. Specific comments which follow are therefore necessarily vague and based almost entirely on speculation and guesswork.

II. *Churchill agenda* (incorporating comments on TCT paper).[3]

1. *Defense.*

A. Organization of West for defense. Under this topic Churchill is expected to bring up TCC report[4] and will also discuss gen NATO organization, presumably on basis report just completed for him by Gen Ian Jacobs. We so far have no info on content this report.

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[3] For the text of the agenda proposed by Prime Minister Churchill, see Document 324; presumably Gifford is referring to TCT Memo-5, Dec. 26, which contained the text of the proposed agenda. (CFM files, lot M 88, box 160, "Steering Group Memoranda")

[4] For documentation on the Temporary Council Committee (TCC) report, see vol. v, Part 1, pp. 203 ff.

As mentioned under 3–B below,[5] Churchill is expected to raise question of broadening end-item criteria either in this connection or under organization on west topic. We may request increased mil aid and stress necessity flexibility location and use Brit forces in terms global requirements containment USSR. He will emphasize relative combat readiness of UK forces and relatively small (7 percent) percentage of mil aid to title I countries going to UK.

Emb believes that this may offer opportunity to obtain an increased Brit contribution to NATO together with an understanding that if hostilities broke out with Sov bloc in some area outside NATO, Brit could shift strength to such area without violating NATO commitments. This wld allow Brit (1) to increase contribution to NATO, (2) to increase Brit eligibility for mil aid and (3) at same time to provide assurance that in event of crisis with Sov bloc, UK wld retain sufficient flexibility to meet threat in any area.

This wld of course represent US recognition parallel US–UK security interests on global basis. Emb has repeatedly recommended such explicit recognition related to concept of type and extent of US mil aid.

B. Eur army. So far as we can learn Churchill will have little new to bring up on this subj. He is somewhat on the spot not so much at home as on the continent over his refusal join EDF. He insists however that he is fully consistent, that this idea of Eur army is a coalition of natl armies, "bundle of staves bound with hoops of steel". Now that EDC and EDF are developing along different lines his attitude is "we do not merge in Eur army, but we are already joined to it". EDF will be closely and effectively associated with Brit forces which constitute another element in same defensive system thru their common allegiance to NATO.

C. Atlantic and other commands.

Under this subject Churchill will probably want to obtain agrmt in gen terms on whole nexus of command structure from Norfolk to Persian Gulf. He may well be willing to accept US position on Atlantic command for sake of over-all agrmt, but this is by no means certain. Acceptance by all powers concerned of Brit for MEC commander wld of course be helpful as it wld enable Churchill to present "package deal" to Brit Parl and public.

D. Strategic air plan and use of atomic weapons. Brit have apparently never formally been given our strategic air plan and Churchill will probably ask for it. In addition he hopes to clarify and extend present agrmts on use of atomic weapon. Brit believe that as result Attlee discussions last year and subsequent conversations they have firm commitment that bomb will not be delivered from UK bases without prior consultation; that there is qualified commitment to consult on use in FE; but that no commitment exists re other use.

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[5] Item 3 B is in telegram 2903, *infra*.

E. Technical cooperation in atomic energy. While here earlier this month, Arneson had conversations on this topic. There have since been no new developments on basis of which Emb can offer constructive comment. Fact that "use of the atomic weapon" is separately listed in Churchill's agenda strengthens our previous feeling that PM will discuss atomic energy on its merits and not link it with use of US airfields in UK.

F. Rifle. In recent defense debate Churchill stated that UK has on hand only twenty of new .28 caliber rifle. Production plans of Labor Govt wld have resulted production beginning in 1953 with rate reaching 100,000 per year by end of 1954. UK now has fewer than 2½ million of .303 rifle and requires three to four million. Churchill's analysis strongly implied recognition that large scale production of new type rifle at this stage not justified in terms of priority production of other items.

He did not however officially announce cessation of plans for production of .28 caliber rifle.

Altho Brit mil and, we understand, Churchill himself, are apparently convinced efficiency and ultimate desirability standardization on .28 caliber or similar type rifle, believe Churchill may be prepared compromise on eventual type. Desire for ultimate agrmt on standardized weapon with advantages of large scale production in North America clearly recognized by PM.

Part II to follow.[6]

GIFFORD

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[6] See telegram 2903, *infra*.

No. 327

611.41/12-2951: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State

SECRET PRIORITY LONDON, December 29, 1951—noon.

2903. This is second and final part Embtel 2898, December 28.[1]

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[1] *Supra*.

2. *Foreign Affairs.*

A. General Survey.

Under this topic Churchill will undoubtedly outline his concept of the West's grand strategy, using a broad brush. He may thus attempt to set the stage for acceptance of British position on specific problems.

He will doubtless emphasize necessity of Anglo-American cooperation, and coordination of policy toward all trouble spots. He has said object of his visit is to insure that US and UK are looking at problems around the world in the same way. He will wish to demonstrate that relationship between us is one of real partnership. He may well refer to importance of British Commonwealth as a world power, and to importance of our supporting and buttressing Commonwealth and empire. We doubt that Churchill will propose any new organizations formalizing US-Brit Commonwealth relationship although last year he called for the recreation of combined chiefs of staff. He might spring a surprise on this subject.

A year ago, Churchill expressed his fear of too heavy US involvement in the Far East with possible "exposure" of Europe to the Soviets. He said his preoccupation with European defense arose because "we live here". In talking about grand strategy, he may wish to exchange views about priority of defending Europe and possibility of avoiding heavier commitments in Far East, in spite of his worries re HK and Malaya.

B. Policy toward USSR.

It seems likely that PM will voice his own and gen Brit feeling that Soviet threat is less both than estimated by ourselves and than say year or two years ago. For a number of years Churchill urged that West seek a settlement with Soviets while US still had a monopoly on atomic bomb. He believed situation wld be dangerous when Soviets had the bomb. Even though monopoly has been broken, Churchill now believes war is not probable because West's defense program is serving as a more and more effective deterrent.

Churchill will also wish to talk about strategy and ultimate objectives toward Soviets. He will wish to know whether we are thinking along lines of an indefinite armed truce, building up of strength to a point where we will wish to force the issue, or promotion of internal revolt in Eastern Europe. In line with theme of Eden's speech at GA,[2] Churchill likely to bring up ways and means of reducing immediate tension and this cld lead into general discussion of "provocations". We have no indication that he will propose early mtg with Stalin or other such effort at direct negotiation, but informal introduction of subj for discussion seems probable. Churchill regards himself as an elder statesman in this field and doubtless wishes to make as well as write some history on relations with the Soviets.

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[2] For the text of Eden's speech before the Sixth Session of the General Assembly of the United Nations, Nov. 9, 1951, see Eden, *Full Circle*, pp. 10–12.

C. Far East.

Overall FE brief prepared by FonOff for Churchill–Eden conversations in Wash has following thesis. We have no info on Churchill's reactions:

(1) Commie China, whether we like it or not is here to stay and Western strategy and tactics must be shaped with this in mind. US has been so preoccupied with domestic politics that it has failed give due heed to long-term aspects of its FE policy, and has attempted to solve each problem in isolation.

(2) It is obvious that, given present inflamed state US public opinion and with an election approaching, US cannot be expected to give serious consideration to long-term settlement in FE, involving as it wld concessions to Chi Commies, including admission to UN and some compromise over Formosa—concessions which Chi Commies wld insist upon as in keeping with their status as a great power. However, only a long-term settlement offers hope of charging Chi Commie conviction that West is hostile, and inducing them to adopt responsible non-aggressive policy. In present situation they can be expected to take advantage of their interior position by striking across frontiers at weak points at their convenience. Such being case, it is all the more essential that urgent consideration be given to a consistent short-term policy, i.e. containment of Chi Commies within their present frontiers. No point in stopping them in Korea and Formosa and leaving door to south wide open. UK and Fr, for example, are acutely conscious of vulnerability of Hong Kong and Indochina. Neither alone can be expected to hold the line. It is therefore imperative that they know what they can expect from US in event of an attack.

In above context, Churchill and Eden will probably wish discuss following specific points in Washington.

(1) Implementation Singapore conference recommendations (this fully covered in recent exchanges of telegrams with Paris, London and Saigon).[3]

(2) Defense of Hong Kong (UK wld hope for more explicit commitment than that made by Secretary in May 1950).[4]

(3) Next steps in Korea (UK unhappy over recent proposal advanced by Gross in Paris for establishment of Korean commission in New York.[5] Such a move wld in UK view tend to isolate commission from direct contact with Chi Commies and North Koreans

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[3] For documentation on the Singapore Conference, held in May 1951, see *Foreign Relations*, 1951, vol. VI, Part 1, pp. 64 ff.

[4] Not further identified.

[5] Regarding this Commission, see Delga 615, *Foreign Relations*, 1951, vol. VII, Part 1, p. 1302.

and to result in dragging out indefinitely political solution for Korea).

(4) Japan's future relations with Formosa (understood Dulles and Dening failed reach agreement in Tokyo this subject). [6]

Conservs not responsible for setting current Brit policy in FE and therefore, theoretically at least, cld be more flexible in accommodating themselves to meet US viewpoint. However, we have so far not noted and hardly expect any substantial change in Labor Govt FE policies. Views expressed in immediately preceding paras are widely held here and are largely shared by both major political parties.

D. South East Asia.

So far as we can learn this subj will be very closely related to immediately preceding topic. Churchill's remarks will probably emphasize support of Pleven's plea to President Truman for US-UK-Fr military conversations on defense of SEA in furtherance recommendations Singapore conference (referred to in C. above). [7]

Brit interest in this subject has been stimulated by recent alarming rumors that Chi Commies plan invade Indochina in near future.

E. Middle East.

In ME new govt has been absorbed mainly with Egypt and to less extent Iran problems. Insofar as any area-wide policy is emerging it seems to be hardening of lines already laid down by Labor Govt. Importance govt attaches to our support in ME cld hardly be exaggerated and this gives us good opportunity urge hearing for our views. At same time, UK expects large measure sympathetic understanding and support for its attempts cope with grave responsibilities under circumstances which Brit feel demand show of strength and determination. Brit papers have, for example, compared need for resolution and solidarity in Egypt with similar need in Korea, with obvious implications for US and UK.

Egypt.

Brit want maximum US support for their present efforts hold firm position in Egypt and keep Canal and base functioning. This means strong moral and political support, perhaps some specific acts assistance (e. g. Embtel 2859, December 24 [8]) and assurance of continued close support shld Brit be forced take more drastic measures (e. g. greater mil control Canal Zone) as result increased terrorism. Brit policy towards dispute with Egypt is, on one hand, to give no encouragement to Egypt's arbitrary demands, and on other, bring about sitn in which Egypt will be willing discuss MEC proposals. There is strong tendency believe such a sitn can only be achieved thru King's intercession and replacement present Wafd Govt. UK is unwilling to make any concessions on Sudan, including recognition King's title, which it is convinced wld be unacceptable to Sudanese (Embtels 2856, December 22, and 2661 December 7 [9]).

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[6] For documentation on conversations on this subject, held at Tokyo in December 1951, see *Foreign Relations*, 1951, vol. VI, Part 1, pp. 1431 ff.

[7] See the notes of the tripartite military conversations on Southeast Asia, held at Washington Jan. 11, 1952, vol. XII, Part 1, p. 8.

[8] Not printed; it transmitted a Foreign Office request that U.S. naval personnel assist in the handling of ships transitting the Suez Canal. (974.5301/12-2451)

Iran.

New Cons govt, in indicating its desire negotiate oil dispute has said simply that any settlement must be based on three principles; practicability, fair share profits and fair compensation. However, it continues skeptical that Mosadeq will ever agree to such a settlement and attaches great importance to return of at least some Brit nationals to oil industry. Brit are interested in IBRD's efforts work out interim operation oil industry and with important qualification that difficult price, personnel and management problems are satisfactorily resolved will probably welcome Bank's intervention. Here again, however, UK doubtful Mosadeq will modify extreme demands.

It is quite possible Brit will take occasion Washington talks voice their objections to any direct American financial aid to Mosadeq Govt. They may also wish discuss prospects of removing Mosadeq.

Re ME section TCT paper, [10] we strongly endorse efforts convince Brit we are anxious help them regain lost prestige. In this connection, it seems to Emb that, in view our worldwide commitments, it shld be our constant endeavor to make it possible for UK to play maximum role in ME and for US to make up minimum deficiency between what is required for area defense and stability and what UK in present straitened circumstances is able bring to bear on sitn. At same time, we feel US shld make it clear to UK that in any such partnership, US will expect UK to give careful consideration its advice on area problems.

In past US and UK have had little difficulty in reaching agreement on broad objectives but differences have tended to rise over specific applications of policy. To our mind this underlines importance coming to grips to extent possible with specifics as well as generalities of our common interests in area. Sudan is good illustration.

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[9] Neither printed; the former transmitted Eden's position on Egypt and Sudan, while the latter expressed concern at the possibility of a widening difference between the United States and the United Kingdom on the question of how to deal with the Egyptian crisis. (611.74/12-2251 and 641.74/12-751)

[10] See Document 323.

Only other specific comment is that we do not understand underlining of word "legitimate" in "legitimate Brit interests" (P 5 para IV (A), TCT paper [11]) and suggest this thought be clarified.

F. Atlantic Community.

Churchill considers himself virtually the father of the Atlantic Community idea. He has frequently taunted Labor with condemning and then adopting the policy of the Fulton speech. [12] He regards the UK as the catalyst uniting the trinity of Western Europe, the Commonwealth and the US. The Atlantic Community resolves his dilemmas (it provides a way to avoid conflicts between London and Washington on the one hand and the Dominions on the other). It reduces embarrassment of accusations that, having fathered concept of European unity, he is now refusing Brit participation in Western European organizations.

We doubt that Churchill has anything specific in mind, but is probably thinking along lines of Eden's statement to House of Commons November 19 "I hope that with the gradual development of these Atlantic contacts at all levels as they are now being made we shall increase the sense of being an Atlantic Community organized not only on a military basis for the purpose of defense, but also for a joint endeavour in our common betterment in every sphere. That is the way I shld like to see this movement develop."

Re Deptel 3072, December 27, [13] we believe Churchill is thinking about common problems NAT area plus Commonwealth but not of new organizational arrangements outside NATO framework. It is, of course, possible that he may raise some more drastic proposal involving political union, but we doubt it. His skeptical attitude toward federation was well revealed during his Paris talks. However, he may well talk about union of the free world, or of English-speaking world, as vision for the future.

3. (A) Economic position and problems of the UK.

While we have very little specific info that PM intends to discuss under above heading, we assume that he will wish to emphasize once again extremely serious economic situation confronting UK. In presenting such general review, he is also likely to go into long-range aspects as well as current crisis. As has been reported previously, we have had several assurances that he does not intend to discuss US economic assistance to UK in any detail, or to present any specific request for such assistance. We have been giving some thought to problem presented by recurring UK economic crises, and I am bringing memo outlining our views on this point and proposal for setting up non-governmental study groups to go into question.[14]

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[11] Presumably another reference to Document 323.

[12] Under reference here is Churchill's "Iron Curtain" speech delivered at Westminster College in Fulton, Missouri, Mar. 5, 1946.

[13] Not printed; it transmitted a list of topics which the United States was interested in and asked for details on those which Churchill was likely to raise. (741.13/12-2751)

(B) Steel and equipment.

It is certain that one of major points which PM hopes to accomplish during visit is to emphasize to US Govt importance of increased steel allocations to UK. We have been told Brit are preparing detailed material for PM on this point, but have so far been unable to obtain this info. We also know that PM is considering some sort of proposal concerning tin. This may take form of agmt by UK to provide fixed quantity of tin over period of time at agreed price in hope that such an arrangement wld create favorable atmosphere in US for additional steel to Brit. Brit are aware that we may raise question of other scarce materials which they might supply us—such as additional small amounts of aluminum.

Under equipment heading we understand PM intends to raise question of increasing scale of military end item aid program to UK and broadening criteria (see section II 1 (A) Embtel 2898, December 28). Brit have repeatedly attempted to get US position on this point without success.

GIFFORD

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[14] Not found in Department of State files.

No. 328

Editorial Note

In preparation for the Truman-Churchill talks the Department of State early in December 1951 established a Steering Group with representatives of the Departments of State, Defense, Treasury, and Commerce, the White House, Bureau of the Budget, Mutual Security Agency, Economic Cooperation Administration, Office of Defense Mobilization, and the Psychological Strategy Board. The Steering Group was charged with the responsibility of assigning drafting officers for the preparation of position papers (sometimes called negotiating papers) for the talks and with reviewing and amending them for use by President Truman and Secretary Acheson.

During the course of its work the Steering Group approved seven series of papers and one series of memoranda, the former designated TCT D-1 through 7 and the latter designated TCT Memo 1 through 13. The TCT D-1 series dealt with problems concerning the Soviet Union; the TCT D-2 series dealt with topics concerning United States-United Kingdom relations; TCT D-3 and D-4 dealt with European and Middle Eastern questions respectively; while

TCT D-5 and D-6 dealt with the Far East and NATO; the final series, TCT D-7, discussed raw materials and the British economic position. The TCT Memos considered the operation of the Steering Group, and were used as covering memoranda for miscellaneous documents relating to the talks.

The records of the Steering Group, sets of the TCT documents and memoranda, Department of Defense comments on various papers, minutes of the four formal meetings between President Truman and Prime Minister Churchill which follow, and six folders of miscellaneous documents relating to the talks are in CFM files, lot M 88, box 160. Similar, but less complete records on the talks, including the reports on the meetings between Secretary Acheson and Foreign Secretary Eden which also follow, are in Conference files, lot 59 D 95, CFs 99–100. Much smaller amounts of documentation on the talks are in files 741.13 and 611.41. The editors also were able to use the records of David S. Lloyd at the Harry S. Truman Library which included a set of his minutes for the four formal sessions.

The documentation that follows presents records of all the meetings which were found in the Department of State files. None of the position papers or memoranda is, however, presented here although two of them are printed in *Foreign Relations*, 1951, volume IV, Part 1, pages 980 and 985. For Secretary Acheson's account of the talks, see Acheson, *Present at the Creation*, pages 594–603; for Foreign Secretary Eden's brief account of the talks, see Eden, *Full Circle*, pages 20–21 and 39–41.

Records of the Meetings and Supplementary Documents

No. 329

Conference files, lot 59 D 95, CF 100

Memorandum by the Secretary of State of a Dinner Meeting Aboard the S.S. "Williamsburg" on the Evening of January 5, 1952 [1]

TOP SECRET [WASHINGTON,] January 8, 1952.

TCT CONV-1

Participants:

U.S.	U.K.
The President	Prime Minister
Secretary of State	Mr. Eden

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[1] The memorandum also bears the date Jan. 6, presumably the date it was drafted by Secretary Acheson. For another account by Acheson, which closely follows the source text and is probably based on it, see Acheson, *Present at the Creation*, pp. 597–600; for General Bradley's account of the meeting, see his notes, *infra*.

Secretary of Defense	Ambassador Franks
Secretary of Treasury	Lord Ismay
Ambassador Gifford	Lord Cherwell
Mr. Harriman	
General Bradley	

[Here follows a table of contents.]

This meeting was most successful. The atmosphere was excellent. Its general effect on Mr. Churchill can be gathered from two remarks; one which he made toward the close of the evening to the President; the other was made to me in private as he was leaving the ship. At the table at the end of the evening he said to the President that of all the meetings which he had attended in his career as Prime Minister with his American colleagues he had never attended one in which he thought the atmosphere was so conducive to close and cordial relations between two countries as the one upon the *Williamsburg*. To me he said, "Did you feel that around that table this evening there was gathered the governments of the world—not to dominate it, mind you—but to save it?"

The evening fell into four main parts: the discussion before dinner; the discussion at dinner; and two separate discussions after dinner.

Before dinner, the discussion fell into various groups sitting around the aft saloon. At the outset the Prime Minister presented the President with a model of the *Mayflower* made from the original wood, a book describing the history of the model, and a copy of Mr. Churchill's latest volume. The President presented the Prime Minister with a set of photographs of the Potsdam Conference and with a set of glasses, one of each type, from the *Williamsburg*, bearing the Presidential seal.

The discussion then fell into small groups, the President and the Prime Minister talking by themselves.

I talked with Mr. Eden. We mentioned three matters.

The first one was the European Army. He said that they wished to do everything they could to be helpful. He thought that, in spite of Mr. Churchill's personal opinions, he would play a helpful part. He briefly described to me the meetings in Paris, [2] the luncheon with Eisenhower,[3] and the press communiqué,[4] which he thought had been useful. I gave him a brief review of the Paris meetings of the six ministers with which he was not at all familiar, pointing out some of the points of difference between the Benelux group and the French and Germans and Italians.[5] I said that I thought that they would have strong British support for their attitude and that the most immediate and necessary task was to have the British make it clear to them that they should make concessions in the direction of the three larger powers, pointing out that what was at stake here, as Adenauer had said in Paris, was the creation of either a combined European army or of a separate German national army, war ministry, and general staff. The latter would not be tolerated either by the Germans or the French. Mr. Eden assured me that he would be helpful and would wish to discuss this further.

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[2] Eden is referring to Prime Minister Churchill's visit to Paris, Dec. 17–18.

I then brought up the Egyptian matter, saying that we were on dead center. Something new had to be introduced. That something new seemed to us to be concessions revolving around the title of the King of Egypt as the King of Sudan. I thought that the British could concede this without injuring themselves and that this, with some further exploration of the four-power proposals, might break the deadlock. Mr. Eden said that he had no objection to the title. That was not the issue. The problem in the minds of the British Government was whether acceptance of the title involved recognition that the 1899 regime was over and that the regime and constitution contained in the Egyptian statute of abrogation was in effect. In other words, he said, it was the whole basis of the present regime in the Sudan. He said that we would have to study this matter together and see if some solution of it were not possible.

The third matter we discussed was Iran. He was under the impression that the Bank was making progress. I told him that the latest reports showed that the Bank had made no progress; that Mossadeq had returned a clever, insulting, and unhelpful letter to the Bank; that the Bank's letter seemed to me to be an unwise one and that neither the British Government nor the Bank had yet wrestled with the fundamental and central question, which was the matter of the price of oil. I told him that the Bank's representatives were returning from Iran and that their own appraisal of their own previous efforts was that these efforts had been highly unrealistic. He asked to see recent communications and wishes to talk about this with us very seriously.

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[3] During the visit to Paris Churchill had lunch with General Eisenhower on Dec. 18; no record of the discussion during the luncheon has been found in Department of State files.

[4] For the text of the Anglo-French communiqué, issued on Dec. 18, see the *New York Times*, Dec. 19, 1951, p. 24.

[5] For documentation on the Foreign Ministers meeting of the countries participating in the conference for the organization of a European Defense Community, held at the end of December, see *Foreign Relations*, 1951, vol. III, Part 1, pp. 980 ff.

During dinner I sat at the opposite end of the table from the President between Lord Ismay and the British Ambassador. I could not hear the discussion at the President's end of the table, but I believe that General Bradley and/or Secretary Lovett will make some report upon this.[6]

I brought up during the dinner one matter with Lord Ismay, which is worth reporting. This had to do with problems which the British Government raised for us in our relations with the Commonwealths. I said that on many occasions, the most recent of which were the discussions with the British regarding wider sanctions in Korea should the armistice be broken, we had begun discussion with the British Government on a highly confidential basis only to find that they were taking up with the Dominions the matter under discussion. This immediately produced resentment against us, though not against the British, on the part of some of the Dominions, particularly Canada and Australia. I said that we could not continue to operate in this way. These Dominions were independent, sovereign countries, whose relations with us were of very great importance. We had enough difficult points without adding the wholly unnecessary one of prestige. They resented deeply having us deal with them through London. They also resented the fact that they were not approached at the same time we approached the British Government on questions where they had even more at stake than the British did, as in the present armistice in Korea. The only way I could see to solve the question was to have new and clearly understood ground rules. These would have to be that, if we wished to discuss a matter with the British, we would ask them whether they intended to take the matter up with the Dominions. If they said that they were going to do that, then we would take it up with the Dominions at the same time we took it up with the British. If they said that they were not going to take it up with the Dominions, they must rigidly adhere to this rule. The only alternative was for us to discuss all matters with the Dominions at the same time we discussed them with the British.

Lord Ismay seemed to be utterly dumbfounded by this situation. He thought that the normal way to deal with the Dominions was from Washington to London to the Dominions. Ambassador Franks assured him that this was not the case. He also assured Lord Ismay that it was next to impossible for us to be having any important discussion with the British Government without the Dominions learning of it. Their Embassies in Washington were large, well-staffed, and active. Ambassador Franks thought that this was a major question and required Lord Ismay's immediate and serious attention. Several times during the later part of the evening Lord Ismay referred to our talk as the disclosure of a vast, new problem, the existence of which was utterly unknown to him.

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[6] General Bradley's account of this meeting is printed *infra*.

After dinner the President and the Prime Minister withdrew to the aft saloon on the upper deck. After about twenty minutes they sent for Mr. Eden and me.

When we arrived, the President told us that he had been having the most useful talk with the Prime Minister and that he now wished to raise a matter which had been troubling him greatly. He said that over a period of time beginning in November, 1950, and running to December, 1951, he was informed by his military advisers, 167 British ships had been in trade with communist ports in China. He was not, he said, including in this ships trading with Hong Kong, but ships trading from any port, including Hong Kong, and Chinese communist-held ports. These ships carried about 350,000 tons of cargo a month. The British ships accounted for a little over one-half of all non-communist flag ships trading with Chinese ports. Altogether the British and other non-communist ships imported into China as much as the whole trans-Siberian railroad transported. He thought that this was a contribution to the Chinese military power in Korea and was an indirect way of furnishing the enemy material with which to carry on the war. He asked for the cooperation of the Prime Minister and Mr. Eden in stopping this trade.

They both expressed surprise at the figures given, stated that they had only been in office nine weeks, and did not know of this, and would do their best to look into it immediately and take remedial steps should those be shown to be necessary.

The President directed me to give Mr. Eden the information in whatever detail we had it so that they might check on it. (Admiral Dennison, upon the President's instruction, has given me the material from which the President's statement was made, and I am preparing a memorandum for Mr. Eden. [7])

At this point, I said that I wished to raise a related matter which had to do with bringing our policies vis-à-vis Japan's relation to Formosa in line. I pointed out the trouble which existed in Tokyo, saying that the Japanese Government wished to make an arrangement with the Nationalist Government relating to the establishment of peaceful, political, and trade relations between Nationalist-held areas and Japan, but that they did not propose to recognize the Nationalist Government as the Government in control of the mainland, or at this time to take any steps regarding Japan's relations with the mainland of China.

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[7] Not further identified.

Mr. Churchill said that he had gone along with the Labor Government's recognition of China, since he was under the impression that we were withdrawing from China and he saw no other practical course. However, he thought that the Labor Government's policy as they had later pursued it was wrong.

Mr. Eden spoke rather strongly against our view that the Japanese Government could or should enter into relations with Formosa, because he believed that this would prejudice any future relations with the mainland and would inevitably give rise to the view in Japan that we were forcing this attitude and would thereby have a bad reaction against us. He also thought that this violated the agreement with Mr. Morrison.

I pointed out what the nature of the Dulles-Morrison agreement [8] was; that it related to Japan's long-run relations with the mainland, with which we were not now dealing, and, in effect, said that those should be left for action after the occupation had ended. I pointed out that at the present time SCAP had withdrawn all control over most of Japan's foreign affairs and that, with the knowledge and approval of the British, the Japanese were now engaged in making treaties with New Zealand, Australia, Indonesia, and the Philippines. All of these negotiations were for the purpose of easing ratification of the Japanese peace treaty by the Parliaments of those countries. I saw no reason why the Japanese should not be free to enter into the same sort of arrangements with the Nationalist Government which were quite essential for the purpose of getting ratification by our Senate. Mr. Churchill thought that this was more of a point than Mr. Eden appeared to. However, the President and Mr. Churchill instructed Mr. Eden and me to work this thing out and reach a satisfactory solution of it. This we said we would do.

Mr. Churchill then said that he wished to say a word or two about the Middle East. He agreed that we were carrying a great burden in the Pacific and that the British not only should not take steps which made our task more difficult but should do their best to help us. He said that they were, in their turn, carrying a great burden in the Middle East. He thought that we should take steps in this area which could be of great benefit to them by giving them full support. For instance, he said that, if we would put only a brigade of troops into Suez, the British could withdraw a whole division or more. This one step would indicate such solidarity between us that the Egyptians would stop their unlawful conduct and get on with the four-power discussions. Similarly, in Iran, if we undertook to give financial support to the Iranians, the problem would never be solved. Whereas, if we would stand solidly with the British, the Iranians would come to terms in short order.

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[8] For documentation on the Dulles-Morrison agreement relating to Japan's future relations with China, made in June 1951, see *Foreign Relations*, 1951, vol. VI, Part 1, pp. 1039 ff.

The President replied that he hoped that Mr. Eden and I would give close attention to Middle Eastern problems. These could be discussed at the larger meetings and he hoped and believed that satisfactory solutions could be reached.

At this point the small meeting broke up, and we rejoined the larger company in the dining saloon, which had been cleared. Here we sat around the table. After a few opening words, the President asked the Prime Minister to give us the benefit of his reflections on the state of the world, with particular reference to the central point of East-West relations; that is, the attitude of the Soviet Union.

The Prime Minister spoke for five or six minutes. He said that he thought the central factor in Soviet policy was fear. He said that they feared our friendship more than our enmity. He hoped that the growing strength of the West would reverse this, so that they would fear our enmity more than our friendship and would be led thereby to seek our friendship.

He discussed the development of American power; mentioned again that the existence of the atomic superiority of the United States was the main guarantee of peace; stressed the necessity for the closest possible alignment of policy between the United States and the United Kingdom; praised the NATO developments and the work of SHAPE; again referred to the need for American support in the Middle East, including a reference to the brigade mentioned above; and said that Far Eastern policy would require the deepest study and united action. He spoke in glowing terms of President Truman's decision to go into Korea and thought that that had been the turning point in East-West relationships.

The President then asked me to lay what facts I wished to before the meeting.

I said that what I would do would be to express a few views, but chiefly would lay out what I thought were the main problems; and I hoped Mr. Eden, as well as the other members of the British group, would give us their thoughts about them.

I said that so far as the Soviet Union was concerned, it seemed to me that the heart of the matter was the concern of the regime to maintain itself in power, first in the Soviet Union, and then to maintain its influence in the satellite areas. I did not think that our greatest danger lay in the possibility of a mass attack on Western Europe but rather in creeping actions taken through satellites in parts of the world which would exhaust the Western powers, such as was now taking place in Indochina. It seemed to me, therefore, that the main lines of military policy, as laid down in the TCC reports, [9] for 1952 and 1953 were correct; in other words, not to attempt to create forces beyond the capacity of ourselves and our allies to maintain, but to create sufficient force to make any action by the Soviet Union in Europe too dangerous to be attempted.

So far as Europe was concerned, it seemed to me—and I asked for the views of the British—that the next forty days presented the most critical time, in which we would either take favorable action on three main matters, or would suffer a serious setback. These were:

1. The relations with Germany, where the central points of difficulty revolved around the amount of the German contribution and its use. A second point of difficulty was the French desire, sometimes supported by the British, to impose limitations on production in Germany, which had two very harmful effects: one was to prevent Germany from being received as an equal partner in the defense of the West, and the other was to throw an altogether impossible burden upon American production to furnish items, many of which could be produced through the German industrial organization.
2. The second vital matter was the European Army. Here I briefly outlined the issues as I mentioned them earlier to Mr. Eden.
3. The third matter was the TCC report.

I asked whether there was any doubt in the minds of the British that these three matters must be resolved favorably by the middle of February if we are to maintain forward movement in Europe.

In regard to the Middle East, I said that I thought that here we had a situation which might have been devised by Karl Marx himself. It was right out of his book. Vast masses of people in a state of poverty; practically no middle class—that is, small property owners or businessmen; a small owning and governing class, incompetent and corrupt; and foreign influences, against which agitators could arouse the population, which, after being aroused and destroying foreign influences, could be used to bring about a communist regime. I thought we must jointly devise some way of acting in this situation other than by merely sitting tight. I said that we could have the most perfect mutual support and understanding, but that, if it were reached upon present policies, we would be like two people locked in loving embrace in a rowboat which was about to go over Niagara Falls. I thought we should break the embrace and take to the oars. This amused the Prime Minister.

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[9] For documentation on the reports of the Temporary Council Committee (TCC), see vol. v, Part 1, pp. 203 ff.

In the Far East I thought that we had taken energetic steps to get something started in the direction of creating some real power in the Far East. This centered about Japan and our arrangements with New Zealand, Australia, and the Philippines. The operation in Korea had been sound and successful. However, we were faced with the most grave and perplexing problems about China. I thought that we had to analyze the possibilities of Chinese action in South East Asia and make up our minds whether we are going to resist if that was possible or accept the consequences of not resisting if resisting was not possible. I said that the President's advisers had not come to any conclusions and had not laid any conclusions before him. The matter was open for the fullest discussion, and it would be most helpful to have British views.

The President then asked Mr. Eden for his opinions. Mr. Eden said that he agreed with me about the attitude of the Soviet Union and the correct steps to be taken in Europe. He said that we must understand that historically the Benelux countries had looked to the sea rather than internally into Europe. They were deeply interested in and attached to NATO. They regarded European federations, including the army, as something which was an adjunct to NATO, and which was desirable only as such. They looked with apprehension upon being absorbed into Europe should our interest in Europe wane. He thought that to make progress with them, to induce them to join the European Army, we should make very clear our continuing interest in NATO and in moves to support and strengthen NATO.

In the Middle East he did not add very much to what Mr. Churchill had said. However, he saw some hopeful signs in Egypt. These chiefly were the appointment of the two advisers to the King. He hoped that saner policies would triumph in Egypt, and he thought that American support of the British attitude would greatly help in bringing this about. He said that in Iran he had believed that matters were progressing satisfactorily and was surprised and disturbed to learn from me that I did not agree. He wished to look into this more closely with me.

I believe he did make some observations about the Far East, but I cannot recall them, and think that perhaps General Bradley may have covered this in his notes.

Mr. Snyder, at the President's invitation, said that he thought that the economic and financial basis of the West required the closest possible attention. He thought that in some of the countries there were signs of persistent and deep-seated malady. He did not believe that applications of ointment and iodine were going to correct these maladies, but that they required real diagnosis and perhaps surgical treatment. He would be glad to consider these in the coming meetings.

Mr. Lovett gave an excellent review of the progress of the American re-armament work, starting with the initial appropriations in 1950 and coming down to our present situation. He pointed out the increasing rates of production and projected these into the future. He pointed out the importance of our creating additional production lines. General Bradley made full notes of Secretary Lovett's comments, and what the Secretary said was followed with the closest attention by the Prime Minister. General Bradley supplemented some of Mr. Lovett's observations.

Speaking after Mr. Lovett, Mr. Harriman addressed himself to the subject of the European Army and European integration. He said that Britain had very great influence on the continent. All of the countries looked to Britain either for leadership or for encouragement when they undertook initiatives of their own. He thought that in the past few years since the war British influence had tended to discourage the essential movements toward unity on the continent. He was delighted to see a change in this attitude at the time of Mr. Churchill's and Mr. Eden's visit to Paris.

He then spoke of the current discussions in regard to the European Army and said that, regardless of one's views, about the European Army, it was the only method by which we could now get a German contribution, and he thought it was essential for British influence to be used on the Benelux countries to bring about an agreement.

Lord Cherwell was the last person to speak and directed his observations to the British financial and economic situation. This seemed to him to rest entirely upon the thinnest of the British reserves. Britain was in the position where considerable swings resulting from changes in the terms of trade appeared to him inevitable. If Britain had adequate reserves, this did not produce too serious a problem. In the absence of such reserves, it would produce critical situations. He believed that there was a fruitful field of cooperation in the adjustment of American purchases, prices, stockpiling, etc., in such a way as to assist Britain during times when it was suffering as a result of adverse terms of trade.

This brought the business of the meeting to an end, and after a few moments of general conversation the President's guests departed.

No. 330

611.41/1-1052

Notes by the Chairman of the Joint Chiefs of Staff (Bradley) of a Dinner Meeting Aboard the S. S. "Williamsburg" on the Evening of January 5, 1952 [1]

TOP SECRET EYES ONLY

Present were: The President, Mr. Churchill, Mr. Eden, Mr. Acheson, Mr. Lovett, Mr. Snyder, Mr. Harriman, Ambassador Franks, Ambassador Gifford, Lord Ismay, Lord Cherwell, and General Bradley.

The President opened the meeting by calling upon Mr. Churchill. Mr. Churchill stated he felt that Russia feared our friendship more than they did our enmity; that this might be changed if we grow strong enough so that they would fear our enmity more than they do at the present time. In fact, he felt that the danger was less now than it was at the time of the Berlin Airlift. [2] He emphasized the importance of the decision which the President took in the Korean matter. Not only was this action a definite one toward stopping aggression, but the big thing was that it had led to a rearmament of the United States and, in fact, all the freedom-loving countries, and this rearmament, if continued and vigorously carried out, would place the Western Powers in such a position that Russia would hesitate to attack and thus it would increase the chances of peace. Mr. Churchill emphasized that on this occasion and on later occasions, great importance be placed on the decision made by Mr. Truman in interceding in Korea.

He next discussed the question of China and expressed the belief that China was not permanently communist. He felt that in a number of years (he did not express how many) China would not take all its orders from Russia.

As to the Middle East, Mr. Churchill stated that in his belief had this group sat around a table a year ago, the Iranian troubles could not have happened as they did, and neither could the Egyptian problem, which he called a "bastard child of the Iranian situation." He felt that if the UK and the US had had the same policy toward the Iranian problem and could have worked together, Iran would not have dared take the action she did. He felt that when the two countries did not offer a unified front, it made it very difficult to deal with the Middle East countries.

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[1] For Secretary Acheson's account of this meeting, see the memorandum, *supra*.

[2] For documentation on the diplomacy of the Berlin Airlift, see *Foreign Relations*, 1948, vol. II, pp. 867 ff. and *ibid.*, 1949, vol. III, pp. 643 ff.

Mr. Churchill closed with the general statement that he hoped our two countries could work together, and, if we did, things would fall into place.

The President them turned to Mr. Acheson who started out by saying that he liked the views of the British on certain points but he agreed that one of the principal troubles is fear in the Kremlin.

Mr. Acheson then stated that in his opinion there were three very important problems which should be solved in the next 40 days. The first was a matter of the European Community. One way the UK could help would be by speaking to the Benelux countries and encourage them to participate. The second big problem was to determine the German participation in the defense of Western Europe and particularly to settle the question of German production of war materials without placing too many restrictions on such production. And third, action on the TCC Report. Mr. Acheson expressed the hope that while he realized the UK could not now join in a European Community, they encourage it the way we had done even though we could not participate actively either.

As to the Middle East, Mr. Acheson felt that the situation was made to order for the Kremlin. He thinks we must try to solve the question as to just what could be done to deflect the situation from what it is now; that is, being so favorable to the spread of communism. He felt it was not enough to stand firm in the matter, but that something is missing—that is, something new must be injected into the solution rather than just standing firm on the matter of staying there.

As to the Far East, Mr. Acheson felt that the future policy on China would have to depend on what China is going to do. She could not arrive at a decision yet. He felt that we were either going to have to decide that Southeast Asia is not worth fighting for, or decide how we are going to fight for it. He felt that this problem should receive great attention from both governments.

The President then called upon Mr. Eden. Mr. Eden stated the belief that the Benelux countries, Belgium in particular, were held back in joining the European Community because of their fear that this European Community and the European Defense Force would replace the NATO Organization. He felt that, if they could be assured that NATO would go on and that this was just a part of the NATO Organization, these countries would join the European Community.

Mr. Eden then expressed the view that we would never solve the Middle Eastern problem until we had solved the problem of Arab refugees. He, therefore, considered this was one of the first problems we must undertake to solve. He felt that the best way to solve it was to set up a Middle East Command so that we would have an organization to carry on the solution of the problem. In other words, this could best be solved under a unified command.

As to Southeast Asia, Mr. Eden expressed the idea that we must both decide what help, if any, could be given in the various areas. It was his opinion that the French could hold in Indo-China unless China comes into the conflict.

The President then called in turn upon the other persons present at the table. I did not make notes of their remarks.

Secretary Lovett discussed briefly the effort which we had been putting forth in Korea and its effect upon our rearmament program and on our Military Aid Program.

No. 331

Editorial Note

According to a memorandum from Knight to Matthews, dated January 2, Secretary of Defense Lovett scheduled a luncheon at the Pentagon for 1 p. m., January 6, for Prime Minister Churchill, the members of his party, officers from the British Embassy, and officials, including Secretary Acheson, from the Departments of State and Defense. No record of this luncheon has been found in Department of State files. A list of the guests invited is attached to the memorandum by Knight in file 741.13/1-252.

No. 332

Conference files, lot 59 D 95, CF 100

Memorandum by the Secretary of State of a Dinner Meeting at the British Embassy, January 6, 1952 [1]

TOP SECRET
TCT CONV-2

Present:

U. S.	U. K.
Secretary Lovett	Mr. Churchill
Secretary Acheson	Sir Oliver Franks
General Bradley	Mr. Eden
	Lord Cherwell

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[1] The first page of the source text is dated Jan. 14, but the first paragraph suggests that the Secretary of State drafted the memorandum on Jan. 7. For another brief account of this meeting, see Acheson, *Present at the Creation*, p. 600.

[Here follows a table of contents.]

Last evening Secretary Lovett, General Bradley, and I dined with Mr. Churchill, Mr. Eden, Lord Cherwell, and the British Ambassador at the British Embassy. After dinner we had discussion around the table from shortly after nine until shortly after one.

Mr. Churchill started the discussion by saying that he wished to talk about three matters: Far East, Middle East, and the atomic bomb.

The Far East: He said that he had been much disturbed by the President's statement to him the day before that British shipping had been carrying very considerable cargo, including strategic material, to Chinese ports. [2] He asked on an urgent basis that I furnish him with the memorandum to which the President had referred, saying that he would telephone or cable the information to London, and, if the facts supported what had been said, he would see that it was stopped immediately. He said that his Government, which had been in office only nine weeks, had no responsibility in this matter, but that it would immediately assume responsibility.

Mr. Lovett said that he was working with me on the matter, and that we would furnish a memorandum very shortly. [3] Mr. Lovett thought that the information should be drawn together by the intelligence services so that it might be directed more to what was going on at the present time rather than to what had occurred prior to the UN embargo. Mr. Churchill and Mr. Eden agreed that this was desirable.

Mr. Churchill then asked me to talk about the situation in the Far East as we saw it and what it was that we thought the British could do to be helpful to us. He said that he wished to do everything that he could to help us carry our great responsibility in the Far East. He hoped that we would take a similar attitude toward helping them in the Near East.

In response to his invitation, I said that our difficulties with the British Government over the past couple of years in connection with China had grown from a generalization which was well enough at one time, but I thought was not any longer helpful in trying to devise policy.

This generalization was that there were inherent conflicts between Russian and Chinese interests and that the object of policy should be to split the Chinese communists from the Russian communists and develop a Tito situation. I said that I had also said this in January, 1950, when it seemed to be a real possibility. However, Chinese intervention in Korea had made this hope very distant and impossible of attainment at the present. I did not think that over any period of time with which we could now be concerned it was possible to create a divergence between the two communist groups. Mr. Churchill and Mr. Eden agreed with this.

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[2] Regarding the President's statement, see Document 329.

[3] Not further identified.

I said that our policy—and I thought any policy—toward China at the present time had to be pragmatic; we had to go from existing situations as they were, dealing with things which had to be dealt with; and that perhaps, as we went along, the future might become clearer.

The first obvious fact was that we were fighting the Chinese in Korea, had sustained very heavy losses, and were now at a critical point, when we would either have an armistice or would be faced with a most serious development in the Korean fighting.

Mr. Eden interrupted to ask whether I thought there really would be an armistice, and Mr. Churchill asked, "If so, when?" I said that I thought there would be an armistice, and, if I had to make a guess, I would guess that it would come about toward the end of January. General Bradley said that he agreed on both points. Mr. Churchill said that he thought that from a military point of view an armistice was probably a mistake. He thought that the Russians had proposed the armistice because the Chinese were suffering heavily and they thought there might be a rout of the Chinese army. He thought that we had properly entered into discussions; that it was necessary to maintain a solidity with our allies; but he doubted its wisdom from a military point of view. General Bradley then pointed out that regardless of an armistice, he did not think it advisable from a military point of view to advance much further than we were at present. He gave all the reasons with which we are familiar for this, most of which appeared to be novel to Mr. Churchill. But, after listening to General Bradley, he agreed that he had possibly been mistaken in his view.

We then returned to the main thread of the discussion.

I said that the first matter on which we wanted and needed British cooperation was in connection with decisions that would have to be made in the event that there was no armistice or in the event that an armistice entered into was later broken. In either event two things seemed to us essential: One was to carry air war to China; the other one was to cut off all ocean trade with China.

The first matter led to a general discussion of what sort of bombing we were talking about. General Bradley and Mr. Lovett made it clear that we were not thinking of bombing population centers; all the targets would be military targets; and the effort would be to break up transportation and air concentrations. He pointed out about where these were. After considerable discussion of this, Mr. Churchill and Mr. Eden seemed to understand the point. Mr. Eden kept saying that the matter had not been put before the Cabinet and they were not in a position to agree. I made it clear that we were not asking them to agree now, but were merely discussing the matter so that they could understand our position more clearly.

We then discussed the blockade. Mr. Churchill and Mr. Eden thought that this would [be] futile because we could not and should not blockade Dairen and Port Arthur, and this would render the blockade futile. General Bradley and I pointed out that this was not the case; because, although Dairen was a very large port and could handle approximately 40,000 tons a day, this amount could not be distributed throughout China because, first, the air bombardment would cut the routes out of Dairen and, second, even if they were not cut, transportation out of Peking and Tientsin would be practically impossible. We urged strongly that the blockade was essential in the event of a renewal of hostilities.

The conversation then went on to the subject of the inadvisability, from Mr. Churchill's point of view of using atomic bombs in Korea or China. This led to considerable talk, in which General Bradley pointed out that it was not our intention to use these bombs, since up to the present time no suitable targets were presented. If the situation changed in any way, so that suitable targets were presented a new situation would arise. So far this was entirely theoretical.

I had intended to go on to discuss again the proposed Japanese arrangements with the Nationalists and other Chinese questions, but, after some further military talk about bombing, Mr. Churchill said that they would consider what we had said; that it had been very helpful; and that he now wished to talk about the Near East.

Near East: There were two points Mr. Churchill wished to make about Iran and about Egypt. In regard to both the essential point was close American support and unity of policy.

Regarding Iran, he said that the British had been kicked out of Abadan in a most humiliating way. If he had been in office, it would not have occurred. There might have been a splutter of musketry, but they would not have been kicked out of Iran. The reason for the weakness of the Labor Government, he was informed by that Government, had come from the refusal of the American Government to support strong measures. He deeply regretted this. While the oil companies may have made mistakes, that was past and was not a reason for weakness in the face of Mossadeq's impossible conduct. He asked me whether we could not now agree to a united policy.

I said that I did not believe that we could dismiss the past quite as easily as Mr. Churchill had done. While the Persians were undoubtedly difficult, it was nonetheless the fact that out of all the places in the world where the British and we were exploiting oil, Persia was the only one where this sort of trouble existed. It came from the fact that all the concessions which the oil company had made in bringing their dealings with Persia up to what was standard elsewhere had come too late. This had precipitated a national position in Iran which was far more serious and permanent than the mere personality of Mr. Mossadeq.

Mr. Eden interrupted to say that, although the fundamental trouble had been the action of Stafford-Cripps in refusing to allow the dividends to be increased on the oil company's stock, thus allowing additional royalties to be paid to Persia under the agreement, it was nevertheless true that the offer made by the oil company of a 50-50 arrangement had been made before our companies had made similar arrangements elsewhere in the Middle East. I said that I did not know enough about the details to dispute the historical accuracy of this fact, but it seemed to me that there had been a great deal of foot-dragging on the part of the company when Razmara was Prime Minister. I remembered urging Bevin and Morrison to get the agreement in such shape that it could be put before the Majlis.

No. 333

Conference files, lot 59 D 95, CF 100

United States Delegation Minutes of the First Formal Meeting of President Truman and Prime Minister Churchill, The White House, January 7, 1952, 11 a.m.-1 p.m. [1]

TOP SECRET
TCT MIN-1

Present:

U.S.	U.K.
The President	Prime Minister Churchill
Mr. Short	Mr. Eden
Mr. Charles Murphy	Lord Ismay
Mr. David D. Lloyd	Lord Cherwell
Secretary Acheson	Ambassador Franks
Mr. Matthews	Sir Norman Brook
Mr. Perkins	Sir Roger Makins
Ambassador Gifford	Sir Leslie Rowan

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[1] The minutes were drafted by Knight on Jan. 8. They are the same in substance as those dictated by David D. Lloyd, Administrative Assistant to the President, which are at the Truman Library, David D. Lloyd files.

Mr. Bohlen
Mr. Knight
Mr. Thorp
Secretary Lovett
General Bradley
Secretary Snyder
Mr. Willis
Mr. Harriman
Mr. Charles E. Wilson

Mr. Manly Fleischmann

Mr. Schuckburg
Mr. Pithlado
Mr. Gore-Booth
Mr. Mallaby
Mr. Powell
Mr. Rickett
Mr. McDougall

Meeting was joined by following for consideration of Item 2:
Field Marshal Sir William Slim
Admiral Sir Roderick McGrigor
Air Marshal Sir William Elliot
Sir Kenneth McLean
Mr. R. Hall

[Here follows a table of contents.]

1. Economic Position and Problems of the UK, including:

a. Steel and other raw materials.
b. UK defense program.

At the President's invitation, the Prime Minister made a general statement to introduce discussion of this topic. He said that the balance of payments figures for the fourth quarter, which would be announced this afternoon, would reveal a deficit of $940 million. This, however, should also be viewed in the light of current forecasts according to which the British dollar reserves, now at $2.3 billion, would drop to one billion and a quarter by June. Mr. Churchill pointed out that the Labor Government had decided to devalue the pound when the UK dollar reserves had last dropped to one billion and a quarter. The present Government, however, is not even discussing or thinking of devaluation.

Mr. Churchill said that the anxious prospects which face the Conservative Government result from its heavy inheritance, of remorseless and irresistible events—at least, they were such to the previous government. The present government is clear as to its duty. It is determined to see that the UK with its own resources takes care of its internal problems and difficulties. He, the Prime Minister, is not here to seek aid in order to improve the comfort and welfare of the British people. The British people themselves will accept the necessary sacrifices required by the British internal situation, and the British Government will adopt the necessary measures. The Prime Minister added: "This is the UK's form of a declaration of independence." The Prime Minister pointed out that the figures which he had just given took into account the various control measures which had been adopted by his government since it came to power barely two months ago.

Mr. Churchill said that he was governed by two principles. First, the British Government will submit to Parliament whatever measures needed for Britain's "internal independence". Second, the UK considers that the defense task against Communist tyranny is a common one and therefore Britain is not abashed to accept help in this field. Mr. Churchill expressed the hope that the US will find it to its own interest as well as in the UK's to assist Britain in its defense work, including measures to assist the UK in increasing its exports as an important requirement to permit Britain to do its full defense share. He stressed that the UK "was not a beggar" but did not want to starve. The British Government does not want "to cut unduly" its rearmament program. However, this had been developed and expanded without much consideration by the previous government. He defined the current program of 4.700 million pounds as a "pot shot" and pointed out that the same program could now cost 5.200 million sterling because of the intervening price rise.

Referring to rearmament programs, the Prime Minister said that in his entire experience he had never seen one that did not lag in its first year, improve in its second, and do much better in the third year. In this case the lag in the first year of Britain's program has tended to give some relief to the British treasury but this favorable financial element has been initially annulled by the price rise. The Prime Minister closed the presentation by emphasizing Britain's desire and determination to make the greatest possible contribution to the common defense effort.

The President told Mr. Churchill that he had been most happy to hear what he had had to say about Britain's determination to do its full share. He then referred to the similarity between the budget difficulties of the UK and of the US and of the problems common to both of balancing military requirements with other considerations.

The President then stressed the interest of the US in securing Britain's full cooperation in order to build a position of strength so that it would be possible to talk to the Soviets in a language which they can understand, and added: "We want to be strong enough to enforce the peace".

The President then referred to the dangers which threatened the free countries in Korea, in Indochina, in the Near East, and in Europe and referred to the necessity of obtaining their full assistance from all the North Atlantic Pact countries in order to contain the global threat which we have to face.

Referring to raw materials difficulties, the President designated Mr. Wilson for any detailed discussion.

The President then said that even with the tremendous resources and manufacturing capacity of the US there was a limit beyond which the US could not go. For this reason the US cannot go it alone and needs the cooperation not only of Britain but of all the other free countries.

With reference to raw materials, Mr. Churchill declared that the UK was seeking steel for its arms production and to maintain its critically needed exports. With reference to coal production in the UK, he said he knew of the unfavorable comparisons being made between coal production in the UK and in the US. However, the UK is making every effort in this field. Incentives are being provided to the coal miners who are now the highest paid type of labor in the UK. The British Government is seeking to import foreign labor and is doing its best to overcome the strong objections of the labor unions. Mr. Churchill expressed the strong belief that UK coal production will increase.

Mr. Churchill indicated that Lord Cherwell was in possession of details of the British financial situation and designated Lord Cherwell and Sir Leslie Rowan for any discussions which we might wish to have on coal.

Mr. Churchill then said that he had been much interested by Mr. Fleischmann's recent statement on raw materials made to British officials in Washington. [2]

The UK is in a position to help the US with some metals but, of course, in a situation such as the present one, it is never possible to be sure that the advantages granted by one side to the other will be exactly equal. The UK can buy 20,000 tons of tin so that the US would not have to pay an "undue price". This tin operation would "nearly account" for 500,000 tons of steel. Mr. Churchill added that nearly another 500,000 tons of steel had already been accounted for. He stressed, however, that the British request was for a total of 1,250,000 tons of steel, including the eight or nine hundred thousand now in course of discussion.

With reference to equipment, he said that not much had been received to date and that Britain found herself in a very "unarmed" position at present. He expressed the hope that the four metals and equipment could be discussed in greater detail. Mr. Churchill concluded by stressing the importance of the "last increment" in bringing to fruition previous expenses and efforts. Often the last ten percent is necessary to make the previous ninety percent already spent really effective.

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[2] Not further identified.

Mr. Wilson stated that the greatest needs of the US in the fields of raw materials were for copper, nickel, aluminum and tin. If the UK has any copper, nickel or aluminum which it does not need now because of the lag in its defense program, the US could use them most advantageously during the next nine months. After that time he hoped the increase in US facilities would meet its own needs. If the US could receive such assistance during the next nine months, it would permit a great increase in US production schedules and he expressed the strong hope that mutually advantageous arrangements in the field of raw materials could be made.

With reference to steel, Mr. Wilson said that the UK request was a large one and that it would have to be broken down into types of steel needed by the UK before the US could profitably consider Britain's bid, the US supply situation being considerably tighter in some categories than in others.

The President then emphasized his special interest in nickel, aluminum, tin and copper and his hope that the UK and the US would work out mutually advantageous arrangements in the metals field.

Mr. Churchill referred again to the magnitude of Britain's defense effort. "There is no point," said he, "in going beyond the limits of the possible". Re Britain's initial program of 3 billion 600 million pounds, the UK had hoped to receive 550 million pounds in aid from the US. (He made it quite clear that there was no US commitment on this score.) What assistance would the UK recieve from the US in connection with the expanded program of 4.700 million pounds which, in fact, represents 5.200 million at present prices?

It was then decided that a raw materials working group would meet at 2:30 this afternoon with a view to reporting, if possible, to the heads of government when they met at 5:00 p. m. [3]

Lord Cherwell, Sir Leslie Rowan, Lord Knollys and Mr. Rickett were designated on the British side and Messrs. Wilson, Fleischmann and Thorp, by the US. (These lists are not all-inclusive.)

Mr. Churchill said that he would be back in Washington on the 15th and if necessary this subject could be taken up again at that time.

Mr. Eden made the point that British public opinion thinks that the UK's troubles are "a measure of the UK's virtues" in the way it has pushed forward with its rearmament program. He referred to Britain's concrete achievements in this field as being well ahead of those other European countries, many of which were still in the planning and blueprint stage.

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[3] For a record of the meeting of the working group on raw materials, see Document 335. For a record of the meeting at 5 p. m., see Document 337.

Lord Cherwell then spoke on Britain's economic situation after initially mentioning that he had not known that nickel was on the list of raw materials urgently needed by the US. British reserves would have to be built up in order to avoid the recurrent crises since the war and the sterling and dollar areas should work more closely together towards this end. He pointed to the continuing great importance of the sterling area as half of the world's trade is still carried on in sterling. In terms of real value (i.e., gold) the British reserves were only a little over a quarter their pre-war level. Pre-war British reserves were 4 billion and British imports also amounted to 4 billion dollars. Now reserves of 2.3 billion had to be contrasted with imports of about 12 billion dollars. US programs were now much larger and small changes, for example, in the US stockpile program, can "wreck the British apple cart". The UK and the US would have to concert their purchases in the future as it was impossible to go along indefinitely as has been the case since the war with recurrent crises and the need for US loans, Marshall aid, etc.

Lord Cherwell underlined the vital importance of exports for the UK. "People must be fed before they can fight." Britain's rearmament effort will come to nought otherwise. He said that, while British exports in physical terms were 160% of the pre-war figure, Britain was importing, also in terms of goods, less than pre-war while its population was 5% higher. This is due to the deterioration in the terms of trade whereby prices of imports have increased much more than prices of British exports. He recognized that part of the trouble for the sterling area resulted from over buying on the part of various members of the Commonwealth but expressed the hope that the UK would be able to dissuade them. In order to have a rearmament effort resting on a sound basis, Lord Cherwell said that the UK would have to divert a good deal to exports and that if the UK cannot obtain assistance for its rearmament effort it would have no course open to it but to rearm more slowly.

Mr. Truman said these financial and aid questions could be discussed more thoroughly at a luncheon being given the next day, January 8, by Mr. Snyder for financial officials on both sides. [4]

2. *Organization of the West for Defense, including:*

a. Possible reform of NATO.

b. TCC Report.

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[4] For a report on the luncheon at the Department of the Treasury on Jan. 8, see Document 341.

Mr. Churchill referred to a general need for economy and simplification of the superstructure and requested Foreign Minister Eden to address himself to this topic.

Mr. Eden expressed his apologies for talking on this subject in front of such NATO veterans as Mr. Acheson and Mr. Harriman while he himself was but a newcomer. He said nevertheless that the British Government had reached certain conclusions and that these would be provided in writing to the United States representatives in order to facilitate work. In essence, the UK desires a body in permanent session which would take the place of the Deputies. This would be known as the NATO Council which would be headed by a permanent Director General. Sessions of the Council attended by Cabinet Ministers would be presided over by a rotating chairman who would be elected for one year. The Director General would be in charge of establishing the agenda and of making all preparations for the full meetings of the Council.

Mr. Eden reported that he had been "depressed" by the number of people attending Council sessions at Rome (nearly 400). [5] In order to avoid such mass meetings, he asked whether it would not be possible to divide up the business of the Council between committees of Foreign Ministers, Defense Ministers and Finance Ministers, meeting separately. He stressed the special importance of small Foreign Ministers meetings, with each Foreign Minister bringing only two or three advisers. This kind of gathering is essential in his opinion for informal, frank and profitable exchanges between the Foreign Ministers. The British also would like to see an integrated staff absorb the functions of the present FEB and DPB. Mr. Eden added that his government thought that a permanent organization should have a permanent home where all meetings would be held and expressed the British Government's natural hope that NATO's permanent home would be London where a number of NATO organizations now maintain their headquarters.

Mr. Acheson stated that based on the preliminary copy of the UK position which he had read, it was apparent that US and UK ideas were very close to each other. [6] The broad purpose of both the US and UK proposals were as stated by Mr. Eden: pull together the various separate staffs. However, there is one point of disagreement as the US does not favor the merger of the DPB with the FEC. Instead, the US desires to achieve the same result by having all present NATO agencies merged within the new permanent group. Referring to the problem of the chairmanship, Mr.

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[5] For documentation on the Eighth Session of the North Atlantic Council, held Nov. 24-28, 1951, see *Foreign Relations*, 1951, vol. III, Part 1, pp. 693 ff.

[6] This paper has not been further identified.

Acheson pointed to two aspects thereof—who should be chairman of the Council and who should be chairman of the permanent group. The present system of rotation for the chairman of the Council presents the danger that for one or several years the leadership in NATO might be weak. Therefore, the US wonders if the Director or Secretary General should not preside over all meetings of the Council. Should this be difficult, there might be a rotating chairman but who would be in the chair for full meetings of the Council attended by Cabinet Ministers. The Secretary General would be in the chair of the permanent group, provide continuity and prevent the chair from falling into weak hands. Referring to the problem of location, Mr. Acheson admitted that London was indeed the seat of several NATO organizations but pointed out that Paris was also the seat of several, including SHAPE. He referred to the TCC Report's recommendation that SHAPE should work very closely with the civilian side of NATO. Mr. Acheson expressed the view that these various proposals should be carefully studied by all branches of the US Government.

At this point, Mr. Harriman pointed to the military side of NATO and to the TCC's recommendation that more responsibility be given to SHAPE, the Standing Group and to the Military Committee. He pointed to the importance of the logistical problem and stressed the need for strengthening the logistics support of SHAPE.

Mr. Lovett also emphasized the importance of developing a sound logistical set-up to back up SHAPE. He said that the US would be very glad to explore this problem with the UK. He expressed general agreement with what Messrs. Acheson and Harriman had said.

Mr. Harriman then referred to the future of OEEC, which in his opinion should be continued as to a limited extent it obtains the economic cooperation of certain important non-NATO European countries. Mr. Harriman said that the headquarters of both the NATO and the OEEC should be in the same place as otherwise a vast amount of economic work would be duplicated.

Mr. Eden expressed the desire to think over the suggestions of American representatives. The thought of having the permanent Director General act as Chairman of the Council meetings, including those attended by Cabinet Ministers, made him somewhat uneasy.

Answering Mr. Eden's expression of concern that it might not be wise to have the Director General in the chair when Cabinet Ministers attend the Council, Mr. Acheson referred to his second proposal, which was also Mr. Snyder's suggestion, which provided for a rotating chairman for full Council meetings while the Director

General would chair the Permanent Group and as such would be responsible for organizing and preparing the full Council meetings.

The President proposed, and it was accepted, that Mr. Acheson and Mr. Eden would meet separately and discuss NATO reorganization. [7]

Mr. Churchill referred to the brilliant Report of the TCC and to Mr. Harriman's great contribution thereto and asked the latter to speak.

Mr. Harriman referred to the problem of the actions which would have to be taken at the NAC meeting at Lisbon on the TCC Report and its recommendations. [8] He said that various agencies of the United States Government were studying this report, in particular the Department of Defense and the State Department. National comments are due in mid-January and the Executive Bureau will consolidate them, for the TCC which will meet again prior to Lisbon. The military comments will be consolidated by the Military Committee.

Mr. Eden underlined the great importance placed by the British Government on the aspects of the burden-sharing problem contained in the Report's recommendations said that these were vital to the UK and expressed the fervent hope that these recommendations would be accepted.

Lord Cherwell immediately followed with a quotation from the TCC Report's conclusions that "If this dollar deficit were not covered, so that adequate reserves can be maintained, the UK would be forced to take action which would undermine the foundation of its programmed defense effort".

Mr. Churchill then paid homage to the "enormous defense burden" which the United States had shouldered and again gave his assurance that the UK will do all that it can. He then pointed to Britain's contribution since 1939 and to her constant efforts which had drawn heavily on the capacities and way of life of the 50,000,000 people in the UK. After the war, the UK did not follow the advice of the US and negotiate a Lend-lease type of settlement with her creditors. As a consequence, a great deal of the loans received by the UK from the United States after the war went to discharging Britain's debts towards her sterling creditors, such as India and Egypt. Thus, Britain's wartime financial difficulties were continuing in time of peace. Britain's trade had increased greatly but her exports would have to increase still more. The Prime Minister stated frankly that a point had been reached where the "United Kingdom cannot pretend it can carry a greater burden than it can" and concluded by expressing the hope that he would be able to convince the United States Government that the UK is doing its maximum.

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[7] No record of a meeting between Eden and Acheson on this topic has been found in Department of State files.

[8] For documentation on the Ninth Session of the North Atlantic Council, held at Lisbon, Feb. 20–25, see vol. v, Part 1, pp. 107 ff.

The President answered that he hoped the United States has not been an ungrateful child. He recalled that during the period 1866–1914, Britain, France and Germany had invested tremendous sums in the United States running into the tens of billions of dollars which permitted the great economic development of the United States. A good part of these dollar assets had been used up by these countries during the First World War. The balance in the possession of the Allies was used up in the Second World War, while the remaining German assets were confiscated by the United States Government. On the other hand, the United States had put in the War about 400 billion dollars and since the War, the United States had contributed about 60 billion dollars towards rehabilitation. The United States wants to keep the free world free and believes therefore that this rehabilitation of the free world is the most important task of the Twentieth Century. However, it is necessary to remember that the United States has a democratic political system with elections and that maybe Mr. Churchill's visit will be a campaign issue in this year's Presidential elections. The President pointed out that the United States has political, as well as financial, problems and that if Mr. Churchill and he do not handle things well, there might be a new American administration in the fall opposed to what Mr. Churchill stands for and not in sympathy with the goals of the United Kingdom which he had expressed.

Mr. Churchill responded that the UK is in a more fortunate position in that it had finished with elections for a few years. In the meanwhile the British Government intends to do its duty whether popular or not.

Mr. Truman expressed his high appreciation for the friendship of the UK and the Commonwealth which countries, together with the United States, constitute the bulwark of the free world.

Various arrangements were then made concerning a press release and the handling of the press.

No. 334

Conference files, lot 59 D 95, CF 100

Memorandum by the Deputy Director of the Office of European Affairs (Perkins) of a Meeting at the Department of State, January 7, 1952 [1]

SECRET

TCT CONV–6

Present:

U.S.	U.K.
Mr. George W. Perkins	Sir Roger Makins
Mr. J. Graham Parsons	Sir Norman Brook
	Sir Leslie Rowan

Anglo-U.S. Differences on NATO Reorganization

Sir Roger Makins opened by stating that there appeared to be differences of view on only three points of consequence, namely, the location of NATO headquarters; the establishment of an Economic and Production Board, as specified in the UK NATO Reform paper; [2] and the question of how to handle the Chairmanship of the Council.

It rapidly developed that there was no real difference of opinion on the Economic and Production Board as Sir Roger said that this would in effect be a Standing Committee under the Council, in other words, very close to our concept of a subcommittee.

Likewise, the Chairmanship problem seemed not too difficult although, as expected, the British could not accept having the Secretary General of the Council act as Permanent Chairman for all sessions of the Council. In place of the U.S. alternative (b) whereunder the Secretary General would serve as Vice Chairman and preside in the absence of the Chairman, the British suggested that the Council elect the Vice Chairman annually and provide that he could be re-elected. Thus, the same individual could carry on for some years. Sir Roger indicated in this connection that the British had in mind that only US, UK and French nationals would be elected Vice Chairman and also that over a period of time we could work in the direction of a Steering Group.

On the problem of location, Sir Roger indicated that the British held strongly to the view that London was preferable for two principal reasons: first, that the economic work of NATO should not be carried on alongside the OEEC and mixed up with it, and second, that there was disadvantage in having the political and economic structure on top of SHAPE which was, after all, merely a theater command. In this connection, he added that it was important that the position of the Standing Group not be prejudiced.

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[1] Drafted on Jan. 14.

[2] Not further identified.

As it was then time for the morning conversations with Mr. Churchill to begin, [3] Mr. Perkins merely said that we had considered the arguments which the British presented on location and still felt a preference for Paris.

At the conclusion of the meeting it was decided that both sides would report to their principals that there was no fundamental difference of view except as to location and that the matter should henceforth be discussed in the Deputies [meetings?]. Additionally, it would be recommended to Messrs. Acheson and Eden that a brief report of the progress achieved should be made to the plenary session, but that there be no further consideration of NATO reorganization there.

Several miscellaneous matters were also covered during this conversation, as follows. The British indicated a preference for the title "Secretary General" rather than "Director General". They were quite clear that responsibility for running the NATO organization should not be divided between the Chairman and the Secretary General. They also felt that the Deputies should consider measures to make the Standing Group more conscious of political and economic realities and less prone to isolate themselves from such matters.

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[3] For a record of this meeting, see TCT MIN-1, *supra*.

No. 335

Conference files, lot 59 D 95, CF 100

Memorandum by the Deputy Administrator for International Materials Activities (Ticoulat) of a Meeting on Raw Materials, Washington, January 7, 1952, 2:30 p. m.[1]

CONFIDENTIAL

TCT CONV-8—Part I [2]

Present:

U.S.	U.K.
Mr. Wilson, ODM	Lord Cherwell
Mr. Fleischmann, DPA	Sir Leslie Rowan

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[1] Drafted on Jan. 12.

[2] For Parts II and III, see Document 342 and 352.

Mr. Harriman, MSA
Mr. Bissell, MSA
Mr. Thorp, State
Mr. Winthrop Brown, State
Mr. Ticoulat, DPA

Lord Knollys
Mr. McDougall
Mr. Hall
Mr. Rickett
Mr. Waight
Mr. Senior
Mr. Wheeler

Lord Cherwell opened the meeting by pointing out U.K.'s need for steel both to take care of their defense obligations and to maintain their economy. He stated that after considering commitments made for the first quarter and other commitments made they would require for the last three quarters a total of 900,000 tons of steel or the equivalent in ore or scrap.

Mr. Wilson and Mr. Fleischmann replied that while we were anxious to do whatever we could for them and were hopeful that we could come somewhere near meeting their needs, it would probably be necessary for them to accept a large part of whatever steel we could allocate to them in the form of high priced ingots, sheet and strip, although the percentage of high priced ingots that they would be expected to take would be considerably less than that which was allocated to them in the first quarter.

Mr. Fleischmann pointed out that a large part of whatever we were able to do for them would have to be supplied in the last half of the year because our situation in the second quarter was bound to continue to be very tight. He also pointed out the political problems involved and the pressures that will be brought to bear the moment we allocated steel to the U.K. in the face of the fact that we were unable to take care of steel requirements of users in the United States. While in many cases these potential users in the United States would be unable to use the steel because of the shortage of copper and aluminum, this fact is not generally known by the public, and the general reaction would undoubtedly be that we were allocating steel to the U.K., the result of which was to curtail or shut down industry here.

In order to justify any allocation of steel that we might make, it was important therefore that the U.K. allocate to us some of the materials we need and on which our condition is probably more serious than theirs and included in these are aluminum, copper and tin. Lord Cherwell then stated that they are very conscious of our problem and were prepared to offer us 20,000 tons of tin for delivery during 1952 at a guaranteed price of 1,000 pounds sterling per long ton ($1.25 per pound) and that if their average cost from Malaya was lower they would adjust the price to us to their cost, but if their cost should be higher they would absorb the loss. Mr.

Fleischmann stated that he had hoped that this would total 25,000 tons and that because of all the publicity that had been given tin, he felt $1.25 was an unreasonable price. After a great deal of discussion, the U.K. representatives agreed to recommend to their Government that we be offered the first half at a fixed price of $1.18 and the price for the second half to be negotiated after U.K. knows how they came out on the first half, with the understanding that the U.S. will be obligated to accept it if offered at $1.18 and the U.K. will be obligated to fulfill the second half if the U.S. should agree to pay $1.25.

In the case of aluminum, the U.K. offered an additional 7,000 tons. Mr. Fleischmann stated very firmly that this was a disappointment in quantity and would be unacceptable from the standpoint of justifying anywhere near the steel allocation that they requested. The U.K. representatives then agreed to ascertain if they could not increase this to 5,000 tons a quarter beginning with the second quarter. It was also pointed out to them that as a result of increased U.S. demands for aluminum because of our expanded Air Force program, if they expected a return of this it would have to be after our increased capacity came in, probably late in 1953, and that we would also have to ask them to defer our obligation to return the 10,000 tons already allocated to us until after our expansion program was in.

A considerable discussion was had on the question of copper and it was suggested to the U.K. that it would be not only helpful to us from the standpoint of requirements but from the standpoint of justifying our action if they could allocate to us at least 5,000 tons of copper from Rhodesia. They emphasized the fact that their copper situation was extrememly critical but agreed to review this and to let us know.

A general discussion was had on the question of adopting some uniform procedure for determining military requirements. The U.K. representatives were very much in favor of this if it could be worked out.

No. 336

Conference files, lot 59 D 95, CF 100

Memorandum by the Director of the Bureau of German Affairs (Byroade) of a Meeting of Secretary of State Acheson and Foreign Secretary Eden at the Department of State, January 7, 1952, 4 p. m.[1]

SECRET
TCT CONV-3

Present:

U.S.	U.K.
Secretary Acheson	Mr. Anthony Eden
Mr. George Perkins—EUR	Sir Oliver Franks
Mr. Henry A. Byroade—GER	Sir Roger Makins

Memorandum of Conversation on the European Defense Force

Eden opened the meeting by stating that he believed the recent visit of the Prime Minister and himself to Paris had been useful.[2] He stated that he believed they were able to give Schuman all the reassurances he wanted and that Eisenhower had appeared satisfied with the meeting there. Eden stated that he believed the climate had been improved by their gesture of going to France before coming to the United States. He stated that he was going to endeavor to make a trip to France soon after their return from the United States for the same reason.

Mr. Acheson indicated that he would give Eden an oral summary of our understanding of developments in the recent meeting of the six Foreign Ministers on the EDC in Paris.[3] For this purpose he summarized for Eden most of the substance of Bruce's summary report and recommendations contained in 3958 [*3957*] from Paris of January 3.[4] He stated that two factors were outstanding in his mind from this summary. (1) The extent of French-German-Italian agreement on institutions of supra-national character and on the other hand the close agreement among the Benelux nations in opposing such far reaching solutions, and (2) the fact that we could now see no ready alternative to the solution of getting Germany into the defense except through agreement by the Europeans themselves on the EDF. He then gave Eden the substance of the Dutch and Belgian positions as reported by Bruce in paragraphs a through f of the above cable.

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[1] Drafted on Jan. 10.

[2] Prime Minister Churchill and Foreign Secretary Eden visited Paris, Dec. 17–18, 1951.

[3] For documentation on the Foreign Ministers meeting of the countries participating in the Conference for the organization of a European Defense Community held in Paris at the end of December, see *Foreign Relations*, 1951, vol. III, Part 1, pp. 755 ff.

[4] For text, see *ibid.*, p. 985.

The Secretary indicated his desire that the British join us in persuading Benelux to go towards the French-German-Italian position. He stated that he thought the United States could give some assurance to them which might be helpful. We could indicate that the United States is more likely to preserve interest in maintaining troops on the continent and assisting European defense if EDC is made effective than if the present situation continues. He spoke briefly about our Congressional situation and the fact that legislation clearly commits us to support moves towards unity on the continent. He also thought that we could reassure the Benelux of our continued interest and support of NATO. In this connection he felt that the continuance of some form of TCC exercise within NATO would be helpful to the smaller countries.

The Secretary then spoke briefly of disagreements among the French and Germans. He reported that Schuman and Adenauer had discussed security restrictions against Germany without conclusion but that there seemed to be some hope that they could work out a solution acceptable to the United States and United Kingdom if the EDC were brought into being along their lines. He stated that Bruce and McCloy felt that it would be preferable to allow them more time to work this out rather than to have US and UK initiative at this particular time. Mr. Eden agreed.

The Secretary then brought up the points on the question of Germany's financial contribution which Adenauer had raised in a meeting. The first of these was that TCC should make a recommendation on Germany's total contribution. This would allow Adenauer to say before the Bundestag that Germany had received the same treatment as other countries. Mr. Eden said the procedure sounded sensible to him and we should see if such action were possible. The second point had to do with the fact that support of US and UK forces should be arranged through the EDC mechanism; i.e., Germany's total contribution should go to the EDC with EDC acting as a paymaster in paying back that portion of the German budget for support of our forces. Mr. Eden said he thought that procedure had been agreed to in Europe last month. Mr. Eden was reminded that he had raised the matter himself in one of our Tripartite meetings but that no agreement had been reached. [5]

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[5] Regarding the tripartite meetings under reference here, see the editorial note on the Foreign Ministers meetings at Paris and Rome, November 1951, in *Foreign Relations*, 1951, vol. III, Part 1, p. 1312.

Mr. Byroade indicated that there was a subsidiary point as regards the TCC matter. The Germans wished to have country submissions to TCC so that they could see what contributions were contemplated by other nations. We had agreed to release US data but the French and British had not as yet agreed. Mr. Byroade promised to furnish Makins with the identification of the TCC documents concerned. Mr. Eden said they would look into the matter.

Mr. Acheson said that he planned to speak to the two Benelux Ambassadors here and hoped that Mr. Eden would find it possible to help also. He stated that the British could particularly help by convincing the Dutch not to "water down" the concept in the hope of getting British participation. He stated that Murphy was going back to Brussels in an effort to help. He would see the Dutch Prime Minister as soon as possible after he arrives and thereafter Chapin would return to The Hague to work on this problem.

Mr. Eden indicated that they would do everything they could to be helpful. He stated that the broad lines of their association with the EDC had been given in the Churchill-Pleven Communiqué. [6] The British Cabinet had recently approved a paper which listed specific things they might do to follow out these generalities. He thought the greatest possibility lay in association of their air force units with the EDC. There had been much experience coordinating air units during the War and he felt this would probably be not too much of a problem. He also spoke of the possibility of exchange of divisions between the UK and the continent. He spoke in terms of one division indicating some arrangement whereby an EDC Division could be in the UK and a British Division in the EDC (his exact meaning was not clear). Mr. Byroade expressed the great importance we attach to the Communiqué issued here on the subject of the EDF. He wondered whether the British could be more specific than in their recent Paris Communiqué. Eden and Makins indicated the type of things they had in mind would not look well in a Communiqué and in any event should probably be communicated to the EDC countries directly. Sir Oliver Franks summarized what was needed was some way of being more specific than in the Paris Communiqué as there would always be doubt and confusion as long as they stuck to vague generalities. The Secretary indicated that this was the point. Eden said they would consider the matter from that point of view.

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[6] For the text of the Churchill-Pleven communiqué, see the *New York Times*, Dec 19, 1951, p. 24.

No. 337

Conference files, lot 59 D 95, CF 100

United States Delegation Minutes of the Second Formal Meeting of President Truman and Prime Minister Churchill, The White House, January 7, 1952, 5-7 p. m. [1]

TOP SECRET

Present were:

United States

- President Harry S. Truman
- Secretary of State Dean Acheson
- Secretary of Defense Robert A. Lovett
- Secretary of the Treasury John W. Snyder
- Chairman of the Joint Chiefs of Staff General Omar Bradley
- Ambassador Walter S. Gifford
- Mutual Security Administrator W. Averell Harriman
- U.S. Air Forces Chief of Staff General Hoyt Vandenberg
- Deputy Under Secretary of State H. Freeman Matthews
- White House Press Secretary Joseph Short
- Mr. David Lloyd, White House Staff
- Mr. Charles Murphy, White House Staff
- Mr. George Willis, Treasury Department
- Mr. R. Gordon Arneson, Department of State

United Kingdom

- Prime Minister Winston S. Churchill
- Foreign Secretary Anthony Eden
- Lord Cherwell
- Ambassador Sir Oliver Franks
- Field Marshal Sir William Slim
- Air Chief Marshal Sir William Elliot
- Sir Christopher Steel
- Sir Roger Makins

In opening the discussion, the President stated that under the law he was charged with responsibility for deciding on the use of atomic weapons. He fervently hoped that the time would never come when such a decision had to be made. Nevertheless, he was prepared to authorize the use of atomic weapons if and when the necessity arose. It had always been his own personal feeling that allies should be consulted on this matter.

Secretary Lovett stated that politico-military discussions had already taken place concerning situations that might or might not lead to general war and the consequent use of atomic weapons. He pointed out that under existing law there were strict limits on the extent to which military discussions could go forward. The Department of Defense was planning to recommend to the President that legislation be sought which would permit strictly military cooperation to be carried on to a greater degree. Reverting to the talks that had been held, he stressed that such talks had been, and would have to continue to be, without commitment. . . . The discussants had considered various contingencies which might or might not lead to general war and other contingencies where the issue had not been clear. . . .

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[1] The part of the meeting recorded in these minutes took place from 5 to 5:45 p. m. Regarding the remainder of the meeting, see the United States Delegation minutes, *infra*.

Secretary Lovett said that arrangements were being made for the Prime Minister, upon his return from Canada to Washington, to receive an extensive briefing on SAC operations.

Prime Minister said that the problems of United States-United Kingdom relations in the atomic energy field was a long story. He recalled that at the outset the United Kingdom could have started up in Canada. He recalled, too, that the decision to go in with the United States had helped to put great moral pressure on President Roosevelt to undertake this great gamble. Everyone recognized at the time that it was a gamble on a gigantic scale. Until Almagordo no one could tell whether the bomb might not be a flash in the pan. The President interjected that a number of his advisers at the time had assured him that the bomb would not work. He said, however, that these advisers had not been heard from lately. The Prime Minister said he would not mind having the history of the wartime relationship made public, not as a matter of reproach but as a matter of record. He said he did not wish to dwell on the past, however, but preferred to look at the situation as it existed today. The United States had legislation which was restrictive. As for the United Kingdom, the previous Government had, with considerable expenditure of money, succeeded in making the bomb. He stated he had not been aware of this prior to his return to power. This bomb was now going to be tested in Australia. In the field of technical cooperation, the United Kingdom was not asking for anything outside the limits of United States legislation. What it was asking for and hoping for was fuller cooperation within the limits of the law. He hoped that Lord Cherwell, who knew about these things, could talk with the appropriate representatives in the United States Government to see what could be done.

The President said that his greatest wish was that atomic energy could be put to the service of peace rather than of war. He was quite agreeable to having talks proceed on technical cooperation.

The Prime Minister went on that the United Kingdom hoped for the maximum possible cooperation within the limits of the law and he hoped it would be agreeable to have Lord Cherwell discuss this problem with the Atomic Energy Commission and others. . . . He hoped the President would agree that Lord Cherwell and Sir Roger Makins might discuss this problem with his old friend, General Smith, to find out what could be done.

The President stated that what the Prime Minister had said made good sense to him. . . .

. . . .

The Prime Minister said he was glad to see the extension of United States bases into French Morocco and Cyrenaica. He said he was personally glad to see the Spanish situation developing in such a way as to open up the possibility of securing bases in Spain also. He felt it was good that these developments were taking place so as to reduce the pressures on the United Kingdom. . . .

Secretary Acheson said there was one other problem which he would like to raise, namely the problem of security. The Prime Minister said that his Government was taking certain steps on the security matter. He said he realized that a tightening of United Kingdom security would help the United States in considering problems of closer cooperation. He felt, however, that this was a step which the United Kingdom would have to take on its own and should not be pressed from the outside to do so. He said that on shipboard on the way over, he had learned that the Cabinet was going ahead on its own to put before Parliament a scheme for strengthening security. He envisaged the adoption of a system whereby any applicant for a position involving access to classified information would be required to state, under oath, whether he was or was not a member of Communist or Communist front organizations and to give other information concerning his background. By this method an individual who had falsified could be prosecuted under the common law for perjury. This he thought was the sensible way of dealing with the matter. He said that these arrangements had not yet been put through, but the main Cabinet decision had been taken.

The President stated that this development would be very helpful.

The Secretary of Defense explained that the reason the United States attached so much importance to the security problem was that the recent amendment to our legislation specifically required that the Atomic Energy Commission must judge that the security standards of a recipient nation, as applied to the data to be communicated, are adequate. Mr. Matthews inquired whether the new personnel clearance procedures were intended to apply only to new personnel being taken on in sensitive work or whether it would also apply to those who were already in such jobs. The Prime Minister responded that the new procedures were to apply to all personnel who had, or would in the future have, access to classified information. He explained further that such procedures would apply to all persons having access to classified information in general and not only to classified atomic energy information.

The President said he thought the Prime Minister and he understood each other on these matters and suggested that the additional talks that had been suggested in the course of the meeting should proceed. The conference then passed to other items on the agenda.

R. Gordon Arneson
Special Assistant to the Secretary of State

No. 338

Truman Library, David D. Lloyd files

United States Delegation Minutes of the Second Formal Meeting of President Truman and Prime Minister Churchill, The White House, January 7, 1952, 5–7 p. m. [1]

TOP SECRET

After the atomic matter had been completed, [2] additional persons were admitted to the room, so that the attendance at the meeting was as follows:

The President
- Dean Acheson—Secretary of State
- H. Freeman Matthews—Deputy Under Secretary of State
- George W. Perkins—Assistant Secretary of State
- Walter Gifford—Ambassador to the United Kingdom
- Robert A. Lovett—Secretary of Defense
- John Snyder—Secretary of the Treasury
- W. Averell Harriman—Director, Mutual Security
- Frank Pace, Secretary of the Army
- General Omar Bradley—Chairman, Joint Chiefs of Staff
- General Hoyt Vandenberg—Chief of Staff, Air Force
- General John E. Hull
- Admiral William H. Fechteler
- Mr. Phillips—State Department
- Mr. Ridgway Knight—State Department
- Mr. Arneson—State Department
- Mr. Barry—State Department

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[1] The minutes were dictated by Lloyd. Another set of minutes, taken by Knight and designated TCT MIN-2 which are the same in substance, but lack some of the detail present in this text, is in Conference files, lot 50 D 95, CF 100.

[2] For a record of the discussion of atomic matters, see the United States Delegation minutes, *supra*.

Charles S. Murphy—Special Counsel to the President
Joseph Short—Secretary to the President
David D. Lloyd—Administrative Assistant to the President

Prime Minister Churchill
Anthony Eden—Secretary of State for Foreign Affairs
Lord Cherwell—Paymaster General
Sir Oliver Franks—Ambassador
Sir Roger Makins
Sir Christopher Steel
Field Marshal Sir William Slim
Air Marshal Sir William Elliot
First Sea Lord Admiral McGrigor
Lord Ismay
Sir Norman Brook
Sir Leslie Rowan
Mr. Shuckburgh
Mr. Pitblado
Mr. Gore-Booth
Mr. Mallaby

The President then said that the next topic of discussion would be the caliber of the rifle.

The President stressed the importance of the problem saying that it was vital for allies to have ammunition that could be exchanged and pointed to the experience of other past wars when the ammunition of one country did not fit the guns of another. He then called on Secretary Lovett to lead off.

Secretary Lovett said that this subject was important as a symbol. People were saying if we can't get together on this what can we get together on? He said that he had brought Secretary Pace to the meeting to discuss the matter.

Secretary Pace began by saying that there had been a number of conferences on this between the Defense Ministers and the experts. The technicians could not agree on what was the best weapon. All the technical problems had been thoroughly explored and there was no way of arriving at a decision in the technical field. The thirty caliber rifle had greater stopping power at short range, and on the other hand it had more revealing flashes. Considerations like these were not susceptible of being decided.

Beyond the technicalities, Secretary Pace went on, there were some larger factors. The United States was engaged in large production of the M-1 rifle and the thirty caliber bullet or cartridge. This was the same size bullet we used in all our machine guns. A change in caliber would mean retooling at a tremendous investment both here and throughout NATO. Another consideration which might be termed political was the fact that the muzzle velocity of a .30 caliber rifle is greater than that of the Russian rifle. There might be criticism if we adopted a rifle with less muzzle velocity. On the other hand, the British contend that the .30 caliber produced more stopping power than was necessary.

At any rate we were going ahead with the production of the M–1 or garand rifle. Standardization of ammunition was probably more important than standardization of the weapon. It was impossible to change from the present caliber of bullet, but we were developing a new cartridge—the T–65—which was superior to the old. Secretary Pace suggested that we might standardize this cartridge or case but still have different rifles. We could then turn out ammunition that the British could use.

General Hull then corroborated and amplified Mr. Pace's statement.

The Prime Minister could not understand how the two countries could standardize ammunition, if the bore or caliber of the rifle is different.

General Hull said of course the English would have to change to the .30 caliber rifle.

The Prime Minister said that he was no expert in this field although he had fired several score rounds with both weapons and managed to hit the target pretty often. He thought they both had their points, but he took the view of Secretary Pace that it was a terribly serious thing to change the bore of the service rifle. He said that such a change should be made in time of peace. It took a long time to make rifles in quantity and in a war there had to be a pool of rifles. In a war, rifles were used like matches or like cigarettes—they were thrown away. The pool of rifles was the important thing. He understood the United States now had twelve million rifles. The United Kingdom had had six million at the end of the war, but now they were down to two and one-half million and he did not know where the others had gone. Generally speaking, the production of rifles was slow and difficult. It was easier to produce cannons. Therefore in this time of danger, he wanted to live in a big pool of rifles. This meant that the United Kingdom should go on with its pool of .303's and he suggested that the United States should go on with its pool of .30's, at least for the present.

With regard to the .280's, the Prime Minister said that a certain amount of tooling had been done but that he would propose that only a few score thousands be turned out for use by paratroops and other specialized units. This would be a sort of experiment. He added that you have to be like a gangster anyway to handle these new weapons. They were not like the old case that he had been accustomed to all his life. In these new ones, the tendency was to fire off all the ammunition. There was nothing to that, he said. In his day, he was supposed to keep the soldiers from firing off all their ammunition.

However, with respect to the future, he thought that both countries ought to go ahead with the rifles they now had, planning and experimenting on new types meanwhile. Then, after a few years, they would agree on and make a new rifle for the free world. But, he added, "We ain't going to have the ideal rifle until we get out of these critical times."

He wondered if this solution could be agreed upon.

Secretary Pace said that we should be careful in the way we talk about the problem. There had been too much public comment and criticism on the matter and it had been built up into an issue. We should say that we will try to achieve the rifle of the future.

The Prime Minister added the word "together"—we should try to achieve the rifle of the future together. This policy could be made public. We would each stay in our own pools of rifles and the British merely develop the .280 on a small scale, experimentally. Ultimately, he said with some irony, he supposed it would be a wonderful thing if we developed the perfect way of killing our fellowmen. He then called on Field Marshal Slim for comments.

Field Marshal Slim said that we are mesmerized by the question of calibers. The aim should be to have a NATO pool consisting of a new and better rifle. This could not be done very soon. The United States military were urging on the British to take and use the United States ammunition, the T–65. However, he hesitated to build the British armament around this particular type of ammunition because if they did, they would probably find that in ten to fifteen years, the United States would have developed a better round than the T–65 and the United Kingdom armament would be obsolete.

The Prime Minister said we should agree on the .303 for the United Kingdom, .30 for the United States and the production of twenty to thirty thousand .280's for paratroops and similar groups.

The President said that it should be stressed that we want mass production of rifles for both countries. The Prime Minister agreed but said we can't do that until the present danger is over. He continued saying, "Nothing will induce me to plunge out with a new rifle, unless we plunge out with you. But not with your present rifle—probably with a better one." The Prime Minister added this was no time to make fundamental changes in the mass weapon. He suggested that a statement be issued on this subject.

The President said that it should be agreed on promptly and suggested that the meeting get out a clear statement on the subject on which all could agree.

The President then turned to the next item on the agenda, the question of the Atlantic Command. He asked Secretary Lovett to state the problem.

Secretary Lovett said that the position on SACLANT was well known. All the NATO had agreed to a Supreme Allied Commander for the Atlantic with the exception of the United Kingdom. The problem was being too widely publicized in the press and had become a serious issue.

The basic fact was that an over-all commander for the Atlantic was needed. If there were another war, the Battle of the Atlantic would be serious. The Russians now had six times the number of submarines which the Germans had at the start of World War II.

Secretary Lovett said that the need of a central command had first been pointed out by the United Kingdom in 1949. The area of command of the Atlantic commander would not interfere with the British control of shipping at the receiving end of trans-Atlantic convoys and shipping. The Prime Minister, in his speech of December 6, 1951, had made the point that the British should control shipping at the receiving end and we agreed.

Secretary Lovett suggested that the original decision be adhered to and proceeded with at once. He said that we were prepared to name the officer to take the command. He added that Admiral Fechteler was present and could discuss the matter further.

The President asked the Prime Minister to state his views.

The Prime Minister said that he had never been convinced of the necessity of a Supreme Command in the Atlantic. Personally, he had lived through two world wars in the Atlantic. The lives of the British, he said, depend upon command of the Atlantic. If the naval war goes wrong, the British people would not live. It is astonishing, he said, how much a country learns about a matter if its life depends on it.

In practice, he said, things must be settled between the United States Chief of Naval Operations and the First Sea Lord. This is the way it had been done in previous wars. If these officers differed, the matter was referred to the heads of our governments for decision. He said the same organization could be carried out under NATO. In a descending chain of command, you would have first the heads of the governments, then the standing group, and then the two commanders, the Chief of Naval Operations and the First Sea Lord. If the commanders differed, the difference goes to the standing group and then to the heads of the governments.

Within this framework, he said, it would be possible to suggest a naval adviser to the standing group who could be given the title of Admiral of the Atlantic. This officer would advise the standing group and do the planning for the standing group. He would also decide questions arising between the CNO and the First Sea Lord, provided the matter were so urgent that it could not be discussed in the usual way by the standing group and the heads of the governments. This would be the preferable arrangement. He did not see why we should create a vast new staff apparatus. He said he urged this on practical grounds and not out of any vainglorious spirit or desire for fame for the "Luxy Navy."

The President said that he had decided views on this subject. He believed strongly in a unified field command. He said that in World War II, we had had a unified sea command in the Pacific under Admiral Nimitz and in Europe we had a unified field command under General Eisenhower and General Bradley as his field commander. It was better to have a unified field command than eleven or twelve separate commanders. The situation in the Atlantic, if there should be another war, would be very different than ever before. He was therefore convinced it was necessary to have a single allied commander in the Atlantic. The President said he did not care who the commander was so long as he was competent to do the job. He asked the Prime Minister to take seriously the arguments of his staff on this subject.

Secretary Lovett said we must consider the convoy and supply problem. We now had eleven countries in the picture, more than ever before.

The Prime Minister interrupted to ask how many of those have any navy to speak of, aside from Canada and France, which has only one flotilla.

Secretary Lovett said he was not talking about their naval forces but about the convoy problem. Norway, Denmark, and others all have transports. He then asked Admiral Fechteler to speak on this question.

Admiral Fechteler began by saying that the Atlantic command proposal had originally been drawn up by officers of the Royal Navy and the United States Navy in anticipation of what we were likely to confront in a third world war. He said that while we won the two earlier wars, we came perilously close to losing both to the submarines.

This next time he hoped it would be different. We had fast carriers and planes and we planned to go after the subs at their bases. That was the place to hunt subs. The worst place to hunt the sub is where we hunted him the last time—when he was on his target. Such an offensive operation against submarine bases requires close command control.

As to the British authority over the reception end of the shipping lines, Admiral Fechteler said, those waters would be excluded from the Atlantic command. He agreed to the proposal of the "100 fathom line" and said that it was agreeable to Admiral McGrigor although it would have to be approved by NATO. Speaking for himself, Admiral Fechteler said he did not want the responsibility of command within that line.

Admiral Fechteler said that the concept of having a huge headquarters and staff, which had been raised by the Prime Minister, was not accurate. Admiral Fechteler said he had worked on this command problem at Norfolk, together with some British officers, and it worked out well. There was no need for even a single building.

The Prime Minister said that he too had given a great deal of thought to the problem. He admitted there had been an agreement to set up an Atlantic Command. He said he was asking now for release from that agreement. Furthermore, he said, if there were an Atlantic Commander, he should sit in England and not over here in the United States.

To clarify his position, the Prime Minister read a statement which he had drafted. [3] This outlined the proposal he had made previously. It provided that the policies should be under the control of the standing group, and war operations should be under the Chief of Naval Operations and the First Sea Lord. The areas to be controlled by the Chief of Naval Operations and the First Sea Lord would be divided by a line to be drawn from Greenland to Portugal or from Iceland to Portugal—the closer to the British Isles the better. This paper included some other details about the handling of convoys.

The Prime Minister went on to say that it was incredible to him that all this difficulty should be raised. In his view, there was no need for it. He said of course the British would not raise the question because the United States has the larger fleet.

As to past experience, he said he wanted to point out that in 1943 the German submarines were decisively defeated in the Atlantic. At this time, all the United States strength was in the Pacific. The United Kingdom did it all—all except the United States troop convoys.

The United Kingdom had real knowledge of U-boat warfare and of the even more deadly and more important mine warfare. In both these fields, he said, Britain has the greater experience, and it was dearly bought. Britain, therefore, should be equal in the councils.

The Prime Minister said that it was clear we could not agree on this, but he said, "Let us persevere, patiently." It was a great blow, he said, to the United Kingdom when it was told not only that it would not have the command but that it would not even have an equal voice.

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[3] No copy of this statement has been found in Department of State files.

Admiral Fechteler said that if the plan was not agreed to by the United Kingdom, we would have to [go?] back to the NATO counsel [*council*?].

The Prime Minister agreed that this was so but suggested that the British side be permitted to consider it further.

The President terminated this very heated discussion by saying that he believed he was to have the honor tonight of dining at the British Embassy.[4] The Prime Minister said that he could have no greater honor than to be the host of the President at the British Embassy. The President said that he thought there would have to be two meetings tomorrow.[5]

The Prime Minister said that if there ever was a Supreme Atlantic Command, there was no officer whom he would raise less objection to than Admiral Fechteler.

Secretary Acheson said that at the next meeting they would have to consider the Middle East command which was on the agenda for this afternoon but which they had not yet reached.

The Prime Minister said "What is this about the Middle East Command? We have all the troops and what we want is a four-power arrangement." This discussion was broken off by questions and arrangements concerning the next meetings. It was agreed that in the morning, tomorrow, the Middle East command, the Far East and Southeast Asia would be discussed, with Europe coming up probably tomorrow afternoon.

The President made a brief statement about security and information for the press, and then adjourned the meeting at 6:30 p.m.

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[4] Regarding the dinner at the British Embassy, see the memorandum, *infra*.

[5] For the records of the two meetings on Jan. 8, see Documents 340 and 344.

No. 339

Conference files, lot 59 D 95, CF 100

Memorandum by the Ambassador to the United Kingdom (Gifford) of a Dinner Meeting at the British Embassy, January 7, 1952

TOP SECRET

I was located too far away to hear all the conversation that went on between the President, Mr. Churchill and Mr. Acheson, but what I heard was not about serious matters but only friendly dinner-table conversation. After dinner the body broke up into small groups, in one of which Mr. Wilson brought up the subject of U.S. purchases of military items from Great Britain, particularly mentioning the possible purchase of Canberra's. He thought that if it were possible to get Canberra's, they would be cheaper than those made in the U.S. and such purchases would help the dollar balance situation. I referred to the fact that purchase of military equipment from Great Britain by the U.S. had been considered some time ago by the Labor Government and they had been rather against it because it would, if kept up for two or three years, mean giving up regular British exports which they would need to continue in order to hold their position in the competitive market. In other words, at the end of three years, say, the British might find that they had lost some of their export market which they need to continue to exist. I understood that the matter would be further considered and if specific items such as Canberra's could be worked out, it might be helpful.

Secretary Acheson discussed with Sir Roger Makins, Sir Norman Brook and myself the question of the British bringing pressure on the Benelux to approve the European army project. The Secretary made very strong representations to Sir Roger Makins as to the need for this. Sir Roger expressed some reluctance about using pressure, but I think was impressed with the need of real attention being given to this matter.

When I left, Mr. Churchill was still talking with a group in another part of the room, but I do not know the subject of their conversation. On the whole, I think it was a most attractive social evening with no new matters of interest or importance being brought up.

WALTER S. GIFFORD

No. 340

Conference files, lot 59 D 95, CF 100

United States Delegation Minutes of the Third Formal Meeting of President Truman and Prime Minister Churchill, The White House, January 8, 1952, 11 a. m.–1 p. m. [1]

TOP SECRET

TCT MIN–3

Present:

U.S.	U.K.
The President	Prime Minister Churchill
Mr. Short	Mr. Eden

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[1] The minutes were drafted by Knight on Jan. 9. They are the same in substance as those dictated by David D. Lloyd, Administrative Assistant to the President, which are at the Truman Library, David D. Lloyd files.

Mr. Murphy
Mr. Lloyd
Secretary Acheson
Mr. Matthews
Mr. Perkins
Ambassador Gifford
Mr. Bohlen
Mr. Knight
Mr. Berry
Mr. Allison
Secretary Lovett
General Bradley
Admiral Fechteler
Secretary Snyder
Mr. Willis
Mr. Harriman

Lord Cherwell
Lord Ismay
Ambassador Franks
Sir Norman Brook
Sir Roger Makins
Mr. Shuckburgh
Mr. Leishman
Mr. Colville
Mr. Pitblado
Mr. Gore-Booth
Mr. Mallaby
Field Marshal Sir William Slim
Admiral Sir Roderick McGrigor
Air Marshal Sir William Elliot
Sir Kenneth McLean
Mr. Burrows
Mr. Tomlinson

[Here follows a table of contents.]

1. Middle East Command

At the President's invitation Mr. Churchill opened the discussion.

Mr. Churchill said that he wanted to make clear the current position of the UK in the Middle East. This position has been deeply altered by the disappearance of the Indian Army as a British military instrument as a result of Indian independence. Of course, UK communications with Australia and New Zealand remain always possible around the Cape but this is a long and inefficient route. The Prime Minister then briefly referred to the current difficulties in Iran; mentioned the unstable situation in the Near Eastern countries and referred to Israel over which the British have no control. Turning to Egypt, he said that the UK was there to perform solely an international duty by keeping the Canal open for international trade. More traffic is going through the Canal now than ever before. British forces are not in the area for promoting in any manner British imperialist interests. As the British are performing an international task in the Canal Zone, the burden cannot be left indefinitely on their shoulders alone. According to the Prime Minister the US proposal for a four-power pact (i.e., UK-US-French-Turkish sponsorship of the MEC[2]) is the best thought to date in relation to this area and the UK wishes to support it in every way. The sooner the four-power proposal is implemented, the better. Referring to the MEC, Mr. Churchill declared that the Turks would be more likely to participate wholeheartedly if they were directly under General Eisenhower's command within NATO. He then referred to the importance of the US sending a symbolic brigade to the Suez Canal area and stressed the great importance of the four powers all sending token forces to this area. He thought that such a proof of solidarity should bring the difficulties with Egypt very quickly to an end. He said that the Egyptian situation was tying up British forces badly needed in Europe and elsewhere, that the UK was completely unprotected, and that he was most anxious to redeploy UK forces now in Egypt where they would be more useful. Hence the importance of the four powers sending token forces to Egypt which would quickly adopt a reasonable attitude when faced with such a common front. Concerning the Middle East Command itself, he said that, should the US so desire, the UK would be willing to appoint a British Commander for the MEC. Indeed, he thought that this would be natural in view of the size of the British forces in the area and of the task which they are now performing. Nevertheless, he wanted to make quite clear the UK did not desire or expect national benefits therefrom and reemphasized that the British are only discharging an international duty, and a most painful one, in the Canal Area. Mr. Churchill also stressed that a British commander of the MEC must not be considered as compensation for British "losses" elsewhere (i.e., the MEC is not part of any *quid pro quo*).

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[2] For documentation on four-power sponsorship of a Middle East Command (MEC), see vol. IX, Part 1, pp. 168 ff.

Mr. Eden then referred to the command set-up itself and to the talks thereon between France, the UK and the US in Rome. [3]

Mr. Acheson mentioned the political factors involved. He said that it is most important politically to move forward with the establishment of the MEC. Obviously, Greece and Turkey would have to be full members of NATO before this could be complete. However, the US is most eager to work closely with the British and French so that the MEC can be set up by March or April. With reference to NATO command arrangements for Greece and Turkey, they would have to be separate from the MEC. At one time the US had thought that the two-hat concept would be possible with the same officer commanding both the MEC and the Eastern Command of NATO. Now the US has come to the conclusion that such an arrangement could not work and that the NATO command must be quite separate and distinct from the MEC.

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[3] See the memorandum of discussion, *Foreign Relations*, 1951, vol. III, Part 1, p. 725.

Mr. Lovett concurred in Mr. Acheson's statement.

General Bradley then said the US Joint Chiefs of Staff thought that, all things considered, the best way of placing Greece and Turkey in the NATO Command framework would be through the extension of Admiral Carney's command to include these two countries. From the military point of view it would be better to set up a fourth command under General Eisenhower but, in view of Greece's and Turkey's stand, for political reasons, the Joint Chiefs of Staff thought the easiest and most practical solution resided in extending Admiral Carney's command. At a later date should it become apparent that Admiral Carney is over-extended, it ought to be possible to split his command.

Field Marshal Slim declared that the UK Chiefs agreed with General Bradley. The proposed arrangement would indeed place too large a military burden on Admiral Carney but there seemed to be no alternative to accepting General Bradley's proposal in view of the position of Greece and Turkey. In case of war this command structure would have to be immediately changed. Field Marshal Slim then pointed out that, regardless of the intense interest of the Turks in being recognized as a European power, it was a fact which no one could change that they were geographically situated in the Middle East. Turkey is the only country in the Middle East which can make a real contribution to the MEC and a proper link between the MEC and Admiral Carney's command must be established. Furthermore, a proper Turkish contribution to the MEC must be obtained. He did not think there would be any trouble on the latter score in view of the assurances received from the Prime Minister and Defense Minister of Turkey by General Bradley and himself when they visited Ankara last fall.[4] He then proposed as the link between the MEC and Admiral Carney that the "Commander of the Turkish Front" also be the deputy to the MEC Commander or, he added "something of that nature".

General Bradley declared that he agreed with everything Field Marshal Slim said excepting that he did not agree with the NATO Commander in Turkey holding any position in the MEC. The US could not accept this suggestion as it saw nothing but trouble in the two-hat concept. He proposed that we should see later what can be worked out. For the time being the two commands should be kept entirely distinct as otherwise there would be objections not only from Greece and Turkey but also "on the Northern flank".

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[4] See the record of discussion, *Foreign Relations*, 1951, vol. v, p. 212.

2. Coordination of US-UK Policies in the Middle East: Egypt and Iran

After saying that it was vital that the UK and the US understand each other on all these matters, the President asked Mr. Acheson to speak.

Referring to Egypt, the Secretary of State said that he and Mr. Eden had discussed this situation at some length Saturday night on the *Williamsburg* and that he expected to have other talks with Mr. Eden while he was here.[5] The prime purpose of these talks would be to work out a new four-power approach to Egypt. In view of the importance which the King of Egypt places on the matter this new approach should include his recognition as King of the Sudan. However, before granting this recognition to the King of Egypt, it would be necessary to assure ourselves of certain conditions beforehand. The King would have to agree to self-determination of the Sudan and to refrain from upsetting any Sudanese regime. He also would have to agree beforehand to accept the four-power proposal concerning the MEC. Although not mentioned as a pre-condition, Mr. Acheson said that the King of Egypt should cooperate in dispelling the existing misconceptions in Egypt concerning the nature of the original four-power proposal. He expressed confidence that he could reach agreement with Mr. Eden as to the course of action to be followed by [*but*?] that it was not clear as to the best moment for breaking the present deadlock.

Mr. Eden stated that he agreed with much that Mr. Acheson had said. However, the King of Egypt does not want the four powers to move now. He thought it was very important to make it quite clear that there had been full agreement at this meeting on the line which should be pursued by the US and UK in relation to Egypt and that this might so influence the Egyptian Government that it might advance the date when a new four-power proposal could advantageously be made. According to the British Foreign Secretary, the main complication for the UK in recognizing King Farouk as King of the Sudan lay in the fact that such recognition would be generally interpreted throughout Egypt as British acceptance of the abrogation of the Treaty of 1899 and of the resulting condominium over the Sudan. To make possible British recognition of King Farouk as King of the Sudan it would first be necessary for the Egyptians to return to the terms of the Treaty of 1899 and abide thereby.

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[5] For records of the conversation on the S.S. *Williamsburg*, Jan. 5, see Documents 329 and 330.

Mr. Churchill then stressed the importance of making fully clear in the communiqué UK-US agreement as to the policy to be followed in relation to Egypt.

Mr. Eden added that it would also be helpful if the communiqué made it crystal clear that the US and the UK had made up their minds to proceed vigorously with the establishment of the MEC. This should have many beneficial effects throughout the Middle East area.

Mr. Truman requested Mr. Acheson to pursue his talks with Mr. Eden concerning Egypt and then referred to his grave worries over the Iranian situation. [6]

Mr. Eden spoke about the current negotiations between the International Bank and the Iranian Government and questioned the recent unfavorable answer from Mosadeq. [7] However, he understands that the bank intends to continue negotiations and will answer Mosadeq's questions. Mr. Eden had seen the bank's representatives and the UK is entirely willing to have the bank continue to play the hand which has been started. For the time being at least, there is no doubt that the right thing to do is to carry on with the procedure which has been initiated. However, Mr. Eden expressed doubts as to the chances of success. He added that the UK was fully ready to examine anything else which might bring the US and the UK in closer harmony with regard to Iran. In his opinion, the price of oil was the essence of current negotiations and US-UK agreement on this subject would be necessary before these negotiations could succeed.

Secretary Acheson said it would be very helpful if Mr. Eden would work on this subject with US officials while he was in Washington. He thought that the bank needed help both on procedure and on substance. He then commented on the conspiratorial manner in which it was necessary to deal with Mosadeq and to the latter's idiosyncrasies which seem to center largely around his fear that he would be considered in Iran as "having sold out to the West". Referring to the Iranian situation as a whole, Mr. Acheson expressed the conviction that it was necessary to introduce a new element of substance without delay as the old proposals were now worn out and were discarded automatically by Mosadeq as soon as mentioned.

Mr. Snyder raised the point of how the International Bank would be able to withdraw from its position as a trustee for oil funds under the scheme now being discussed between the bank and the Iranian Government. He said that, while it would be a simple matter for the Bank to accept this responsibility, it might be very difficult for the Bank to withdraw from it.

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[6] Regarding the further discussion of Egypt by Secretary Acheson and Foreign Secretary Eden, see Document 347.

[7] Documentation on the correspondence between Prime Minister Mosadeq and the International Bank for Reconstruction and Development concerning the settlement of the Anglo-Iranian oil controversy is scheduled for publication in volume x.

Mr. Eden made the point that, while the Labor Government had taken the position that it refused to negotiate further with the Iranian Government, the New British Government, on the contrary, has expressed its desire to negotiate. However, if the Iranian Government remains obdurate, there will have to be some change in our approach to the Iranians as has been the case for Egypt.

Mr. Churchill stressed that close US–UK cooperation in the Middle East should "divide the difficulties by ten".

The President declared that US–UK agreement was necessary for any settlement of Middle Eastern problems.

Mr. Churchill said that the cards had now been laid on the table, that Mr. Eden and Mr. Acheson could proceed privately and perhaps he and the President might discuss the Middle East again, and in particular, the Iranian situation when he returned from Canada next week.

3. Korea

The President opened the discussion by saying that he feared that there had not always been complete understanding on the part of the UK of US policy in Korea and particularly of the US desire to localize the conflict to Korea. He referred to the 1930's when the US was accused of shirking its responsibilities in the Far East but added that this could not be said now. Thereupon he asked General Bradley to present a picture of the Korean war from the original North Korean attack on June 25, 1950 to the present.

After General Bradley's briefing Mr. Churchill asked if the armistice talks had had any effect on the conduct of military operations.

General Bradley answered that we were not anxious to proceed beyond the present line and that, in his opinion, the armistice talks had had no effect, either favorable or unfavorable, on the military situation in Korea.

President Truman then referred to South East Asia as a whole. The French were extremely worried about the possibility of a Chinese attack against Indochina after a Korean armistice. They were also worried about Communist moves in the direction of Siam and Burma. The President said that US information generally tended to confirm French fears. Therefore, he was especially anxious that the mutual policies of the US and the UK be in full accord. He said that we could not give up the Far East without a struggle in view of the importance of the area, and assumed the UK felt likewise in view of their interests and those of the Commonwealth in that part of the world. He was sure the UK was just as interested as the US to avoid the over-running of the area by the Communists. While he did not expect that agreement would be reached around this conference table, he thought that the US position should be set forth. He then turned to Secretary Acheson.

Secretary Acheson started by referring to the Vishinsky maneuver which has been going on in the UN in Paris during the past 10 days with a view to transferring the Korean talks to Paris. [8] That and other things, he said, permits us to guess the next Russian move. Communist stalling in armistice negotiations is obvious. He mentioned a detail which struck the Prime Minister and Mr. Eden: the manner in which the Communist negotiators read newspapers and magazines during the meetings with the UN representatives. (Mr. Eden later urged that these tactics be widely publicized to make it quite clear who is responsible for the lack of progress.) Mr. Acheson then referred to the recently stepped up enemy air activity. There had been heavier fighting, and in particular, not far from the site of the armistice talks. All these things had brought him to believe that the Communists consider that they have obtained all the benefits which they can expect to derive from the current talks with their current terms of reference. Now, before concluding these talks, the Communists want to broaden their scope.

The Soviets doubtless want to extend the talks to the Far East as a whole so as to obtain more out of the current negotiations. Secretary Acheson said the US position was strongly opposed to any such Soviet maneuver and hoped that the US and the UK would "stick together". The US concept calls for conclusion of the armistice negotiations strictly on a military plane. Only thereafter would a UN group discuss a Korean political settlement with the other side. At such a time the US would have no objection to the inclusion of Communist China or of the USSR. The United States is not optimistic concerning the outcome of such eventual political talks. Both sides would want a Korea unified in their favor and consequently a deadlock was probable. However, even though these talks might only be a formal affair it was most important for us to reaffirm our policy of Korean unity and adhere thereto. He pointed to the sometimes unwelcome statements of President Syngman Rhee on this subject which reflected Korean popular feelings. The Secretary added that the United States was convinced that this popular sentiment in Korea was both deep and widespread.

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[8] Reference is to the efforts of the Soviet Union to move the Korean Armistice talks to Paris.

Mr. Acheson referred to the course of action in Korea should an armistice be breached or should there be no armistice. He prefaced his remark by referring to the conversation on this subject Saturday evening on the *Williamsburg*, stating that he well knew that the United Kingdom was not in a position to agree now. The matter pertained to the lack of agreement as to what should be the consequences of a breach in the armistice by the Communists. The agreed statement which indicates the grave dangers of the extension of hostilities outside of Korea in this case, as well as if there is no armistice, does not mention the form which this extension of the war could take. The Secretary wanted to reaffirm the United States proposal: bombing operations should be extended beyond Korea but the targets would be military and there was no intention on the part of the United States to bomb Chinese populations; furthermore, the United States would urge that all Chinese imports be cut off and that a UN interdiction be placed on all trade with China. While Chinese rail imports from the USSR are more important to her war effort than her imports by sea, it should however be remembered that the volume of Chinese seaport imports is as great as that of its imports by rail. The Secretary closed by again recognizing that Mr. Churchill and the British representatives would have to discuss the above matter with the British Cabinet.

Mr. Churchill said that while he had always been opposed to deploying UN ground forces beyond the waist of Korea, he would from a military point of view, favor the extension of air force activities beyond Korea "were it not for the political boundary involved."

Turning to United States policy in regard to China, Secretary Acheson said that around January 1950 the United States had thought it possible to play on Chinese-Russian differences with a view to fomenting a split between these two Communist powers. Now, however, the United States no longer holds this view, this being especially true since the Chinese intervention in the Korean war. This had been discussed with Prime Minister Attlee during his visit to Washington; [9] likewise with Mr. Morrison in September [10] when it was ascertained that the British Government maintained its earlier viewpoint. This disagreement had led to the mention in the September Communiqué [11] of certain differences between the United States and the United Kingdom. Mr. Acheson said that in the view of the United States we must proceed in our relations with China on the basis of specific situations. For example, what should we do in the case of a breach of the armistice? Our actions should be based on such concrete considerations and not on the tenuous and moot consideration of the possibility of splitting China away from the USSR. We must act as we think best in specific cases even at the risk of pushing Communist China towards the Soviets.

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[9] For documentation on the Truman-Attlee conversations, held in Washington Dec. 4–8, 1950, see *Foreign Relations*, 1950, vol. III, pp. 1698 ff.

[10] For documentation on the meetings of the Foreign Ministers of the United States, the United Kingdom, and France, held at Washington, Sept. 10–14, 1951, see *ibid.*, 1951, vol. III, pp. 1163 ff.

[11] For the text of this communiqué, see *ibid.*, p. 1306.

Turning to Formosa, Secretary Acheson said that there can be no question of returning Formosa to the Chinese as Formosa is now in the hands of the Chinese. Furthermore, the United States can neither help nor permit the Chinese Communists to seize Formosa and pointed to the difficulties which this would cause throughout the entire Far East. In particular, he mentioned the worry and even the terror which this would cause in the Philippines and in Japan. Mr. Acheson declared the heart of the matter in the Far East was to build up sufficient strength so as to hold Japan on the side of the West. He pointed to the great shift in the world power situation if Japan with its military virtues and industrial capacity went over to the Communist side. While the chances of keeping Japan on the side of the West were not overwhelming, everything had to be done towards this end. That is why the United States had felt as strongly as it had concerning the type of Peace Treaty which was to be signed with Japan.

Referring to the general question of Pacific security, Secretary Acheson said that we would have to continue working closely with Australia and New Zealand on the basis of the treaty signed with these countries.

Turning to Indochina, Secretary Acheson stated that the United States Government had not decided upon its course of action in the case of new developments in the area, such as a Chinese invasion. However, the United States Government was currently giving fullest consideration to this matter and its views would shortly be presented to the President for his consideration. In the meanwhile we had agreed to staff talks with the UK and France concerning the military problems in that part of the world. The West is indeed faced with a dilemma: if we do nothing it would be most unfortunate yet it is most difficult to see how we can do something effective. In any event the western powers must work closely together.

Mr. Acheson added that there was one more thing in relation to China which he wanted to say. He had found in his talks with Messrs. Morrison, Bevin and Attlee that they treated the present fiction of diplomatic relations between Communist China and the United Kingdom as if they were a reality. These diplomatic relations are simply not a fact as the Chinese Government has not recognized the United Kingdom. It would be helpful in our approach to the Far East if the United States and United Kingdom could view such specific matters in the same manner.

Mr. Churchill expressed his admiration for the manner in which the United States was carrying virtually the entire load of the West in the Far East. He paid special tribute to American fortitude in the Korean war which had resulted in 100,000 United States casualties. He recognized the peculiar difficulty of prosecuting such a war when the nation as a whole does not consider itself to be directly threatened. He emphasized the United Kingdom's desire to help the United States in every way possible and recognized that in the Far East there could be no UK priority or equality of leadership. The role of leader squarely belonged to the United States and the UK will do its utmost to meet US views and requests in relation to that area. In the Prime Minister's opinion, the President's decision to resist in Korea had done more than anything else to reverse the tide in our relations with the Soviets in the postwar period. Indeed, he felt that June 25, 1950 marked the turning point in the danger to the free world of Communist aggression, and the United Kingdom was profoundly grateful to the United States for its action. Several times Mr. Churchill asked that the United States tell the United Kingdom what the latter could do in order to be of assistance. He admitted that British diplomatic relations with Communist China were essentially a fiction, as the latter had not recognized Great Britain. He added that had he been in power he would have broken relations with China when the Chinese attacked the UN forces in Korea. However, when he was returned to power the phase of armistice talks had been initiated and he did not think that such a British action would be desirable now because of its possible effect on the negotiations. Referring to Formosa, Mr. Churchill said that it would be "shameful" for the UN to leave the 3–400,000 anti-Communist Chinese to the tender mercy of the Communists. These Nationalist forces on Formosa had been on our side in the Second World War and had fought on our side afterwards. He expressed the most cordial support for the United States in this matter. Referring to a Peace Treaty between Japan and the Nationalist Government in Formosa, he thought this should be discussed by Messrs. Acheson and Eden. However, he personally did not want to see Chiang Kai-shek's Government recognized as the legitimate government of mainland China. Before closing the Prime Minister again repeated his request that the United States not hesitate to ask the UK for anything which might be of help to the United States in the Far East and reiterated his gratitude for all that the United States had done in that part of the world.

Mr. Eden said that he did not agree with the late British Government's position concerning China and, in particular, with its belief that a Chinese brand of Titoism could be fostered. He thought it unwise to base a national policy on such a tenuous possibility. He referred to the Vishinsky maneuver in Paris for a four-power conference in order to reach a Korean settlement. Personally, he fully agreed with the United States position set forth at the meeting which he summarized as follows:

1. Armistice talks must be concluded on a strictly military plane;
2. Thereafter, political talks concerning Korea with no exclusives against any country;
3. Only thereafter, could political talks be expanded to cover other Far Eastern matters.

He referred to the current Vishinsky maneuver as important as it appears to be gaining ground and obtaining support from other countries. He thought therefore it was very important to expose with the utmost clarity to the people of the West the Communist stalling tactics in the current armistice talks.

With reference to Southeast Asia, Mr. Eden said he was grateful for the imminent staff talks with the United States and France even though he himself "could not see daylight".

Mr. Churchill then made the point that an armistice in Korea would doubtless increase the threat against Malaya.

Mr. Eden pointed out that unlike Korea the burden in Southeast Asia fell essentially on the shoulders of the French and the British. He said that he knew the French Government was deeply worried and that while it felt it could hold out indefinitely against the present communist forces in Indochina they could not do so if these were reinforced by Chinese troops.

Mr. Churchill then related the Indochinese and the European situations, pointing out that the French were losing the flower of their army in Indochina and that under these conditions it would be all too easy for the French to fail in producing a good French army in Europe. On the other hand, if the Indochinese drain on France were stopped it should be relatively easy for the French to develop a strong army which in part would of course be within the Europe Army. Likewise with a strong army, the French would be less fearful of permitting the Germans to develop their strength.

Mr. Eden then pointed to the direct relationship between the Southeast Asian situation and the UK's own situation and made special reference to the impact on the UK's economy should Malaya be lost.

Secretary Acheson then assured Mr. Churchill that it was not the intention of the United States to press the Japanese Government to sign a treaty with the Chinese Government on Formosa which would recognize the latter's authority over mainland China.

Mr. Eden raised the question of how it was possible to deal with the Formosan Government without by implication recognizing it as the legal government for all of China.

Mr. Churchill suggested that maybe a temporary arrangement—say for three years—would carry with it fewer such implications.

The President requested Mr. Acheson to have further talks with Mr. Eden on these subjects and said he thought that the positions of both the United Kingdom and the United States were mutually well understood.

The President then suggested the meeting adjourn.

No. 341

Conference files, lot 59 D 95, CF 100

Memorandum of a Luncheon Meeting at the Department of the Treasury, January 8, 1952 [1]

CONFIDENTIAL

TCT CONV-7—Part I [2]

Present:

U.S.	U.K.
Secretary Snyder	Lord Cherwell
Mr. W. Averell Harriman	Sir Leslie Rowan
Mr. E. H. Foley	Mr. Denis Rickett
Mr. Richard M. Bissell	Mr. Allan Christelow
Mr. William McChesney Martin, Jr.	Mr. Robert Hall
Mr. Willard Thorp	Mr. G. D. A. McDougall
Mr. John S. Graham	
Mr. Thomas J. Lynch	
Ambassador Walter S. Gifford	
Mr. Leroy D. Stinebower	
Mr. Frank A. Southard, Jr.	
Mr. George H. Willis	
Mr. C. Dillon Glendinning	
Mr. Judd Polk	

Secretary Snyder welcomed the group, and said that while he did not wish at a luncheon to go intensively into the financial and economic problems of the British, he did think it would be appropriate to invite the British representatives to give us some indication of the problems of the United Kingdom and the broader British Commonwealth. We were all concerned with the importance of economic stability of the free world. We hoped that the British would be able to give us on a frank basis any information and ideas as to how they saw the problem and what they were proposing to do to deal with it.

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[1] Drafted by Judd Polk of the Treasury on Jan. 21; a notation on the source text indicates that it was not reviewed by the principals.

[2] For Part II, see Document 348.

Lord Cherwell spoke at some length. He said that this Government had only been in office nine weeks. Frankly, they had been shocked by what they had found on coming into office, and if we had had the opportunity to see some of the papers they had, we would feel the same way. What seems to have happened is that the previous government was completely misled by the spurious prosperity of the year 1950. Looking back on it, that prosperity reflected mainly the very marked increase in Sterling Area earnings from exports of raw materials at the higher prices prevailing after the outbreak of hostilities in Korea. The artificiality of the prosperity became clear in 1951. The sterling countries wanted to spend their earnings, the UK had to spend more to restock, and on top of it all there was the rearmament effort. The rearmament effort was originally scheduled in terms of 3.5 billion pounds, with a general expectation (undocumented) that through burden sharing, or otherwise, some 550 million pounds would come from outside assistance. Subsequently, the program was revised upwards to 4.7 billion pounds.

The results of these pressures in 1951 produced the serious drain on reserves. The Government had to take action immediately. They cut imports by 350 million pounds, mostly in food. The size of this cut can be appreciated when it is remembered that 350 million pounds represents 20 percent of total food imports, and half of Britain's food is imported. In spite of this measure, the drain on reserves is expected to continue, and unless assistance can be worked out will bring reserves down to a dangerously low level in the first half of 1952. In order to solve the immediate problem, it will be necessary to increase exports, which basically means increasing the production of steel-using industries. This, in turn, would mean a cutback in arms—a cutback that we all want to avoid.

It now seems that capital flight (weakening confidence in sterling) played only a very minor part in the current drain—something less than 100 million pounds, but if the drop in reserves is not arrested, the UK will shortly face a crisis in confidence. He felt that it was clear that the British reserves needed to be higher to enable them to carry on safely the large volume of trade so necessary for Britain. They had seen that fluctuations in trade could become so great as to deplete their reserves and aggravate their problems by threats of loss of confidence in the currency. They would like to try to restrict somewhat these violent fluctuations by attempting to stabilize more effectively prices of raw materials, and hoped that there could be consultations on this subject.

The next six months look bad. He hoped that some help could be found in getting at this problem through offshore procurement and through arrangements of materials. Secretary Snyder indicated that the matter of materials would be discussed with Mr. Wilson, and that offshore procurement was a question to be discussed with the Defense Department.

Sir Leslie Rowan added that the Western Allies had two agreed related objectives in this period: First, to maintain a sound economy, and second, to develop an adequate defense program. For the UK, the former objective means the maintenance of dollar reserves and a balance in external accounts, and the year 1951 had demonstrated clearly that they had been unsuccessful on both scores. Reserves had fallen by 40 percent; a comparable percentage drop in US reserves would be $9 billion. External accounts were out of balance in 1951 by about $1.5 billion. The UK had, of course, taken immediate steps to reduce the rate of external expenditures, and—perhaps even more fundamentally—had raised the bank rate and funded some of the short-term debt. Obviously, other immediate steps were needed, such as more progress in coal production, as emphasized in the TCC report, and an increase in exports. In the case of exports, he emphasized Lord Cherwell's point that since half the British exports are in metal-using industries, a marked increase in exports obviously implied a reduction in defense.

The UK is hoping that the current Commonwealth talks will be helpful, but the problem of the reserves drain remains.

Mr. Harriman said that he was very impressed by the fact that the UK had gone ahead with its defense program without waiting for any sort of a return commitment. Surely that was one of the most honorable steps a government could take. Looking back on it, however, there was obviously little concerting of British defense production with ours, and this resulted in mistakes and waste. It is not too late to concert our planning, and this should be done now, although it will be more difficult. He was not suggesting the establishment of a combined production board, but there should be an intimate exchange of information to facilitate such aspects of programming as to count on US end-items which are not easily supplied, and to develop appropriate off-shore procurement. On the latter, he noted that there were many things that the UK could produce more cheaply than the US; he understood that Jets could be produced for something like half the cost. So there is a question of saving money and of conserving materials, although the concerting of expenditures is impeded by many questions of national pride. He recalled that the Prime Minister had stated that while the UK recognized the necessity of interdependence in security matters, they wanted independence in economic matters. This objective, he felt, is sound and also fits into our political scene. Mr. Harriman added that he felt very strongly on the question of coal. The UK as a member of the North Atlantic Community has an obligation to produce more. The use of dollar-procured coal, which would run from $600 million to $1 billion for the European countries as a group, is "simply not in the woods." On the question of stockpiling, we might review later the feasibility of our having a stockpile in the UK; we learned in the last war the importance of having supplies there in order to save shipping. In general, the US administration wants to work closely with the UK to solve problems, get all the factors on the table, and to reach a solution of immediate problems. At the same time, we must not delay an understanding on the long-run objectives, such as policies of convertibility and non-discrimination. We recognize that these policies cannot be implemented for the time being, but it would be useful to have an understanding as to the ultimate goals. Otherwise, exceptions to the policy get frozen on an international level. People want to be reassured. Finally, Mr. Harriman stated that the "maintenance of the military program is a must."

Lord Churchill [*Cherwell*] said that they recognized the extreme importance of coal, and that they were pressing determinedly for an improvement in production. The problem is very complex. Men who don't come from mining families are reluctant to go into the mines, and a democratic society does not force them to do so. A generation of younger men has been lost due to the war, and older men don't want to enter the mines. A considerable program of incentives had already been developed—the Government gave pensions, housing preferences, and exemptions from military service. The importation of Italian workers was also difficult. Harmonious living arrangements with British workers had not developed. The UK was also pressing coal-saving measures. As for the longer-range objectives, we are all agreed, but from the British point of view implementation of these objectives at the moment seems so remote that they don't like to talk about them. How can you talk about convertibility when your anxiety is for the immediate run on the bank?

Secretary Snyder mentioned that he had talked to the Chancellor of the Exchequer at Rome,[3] and emphasized that Congress was very interested in having expressions of intent. Certain commitments had expired as of the end of 1951 under the Anglo-American Financial Agreement,[4] although they still exist in other international agreements. ITO had not come into being. Congress is naturally going to ask what is the British intention. Such an expression would certainly be helpful in Congressional hearings on aid programs. The Secretary expressed the hope that before the British leave we could develop something concrete on this matter.

Secretary Snyder said he felt it would be helpful to continue discussions of US–UK problems within existing channels, and he asked Mr. Willis to discuss with Sir Leslie Rowan and Messrs. Bissell and Thorp the question of how to proceed and what to discuss.[5]

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[3] No record of Snyder's meeting with Butler at the time of the North Atlantic Council meeting in Rome at the end of November 1951 has been found in Department of State files.

[4] For documentation on the Anglo-American Financial Agreement, signed at Washington, Dec. 6, 1945, see *Foreign Relations*, 1945, vol. VI, pp. 1 ff.

[5] For a further discussion of the economic position of the United Kingdom, see Document 348.

No. 342

Conference files, lot 59 D 95, CF 100

Memorandum by the Deputy Administrator for International Materials Activities (Ticoulat) of a Meeting at the Department of the Treasury on the Afternoon of January 8, 1952[1]

CONFIDENTIAL

TCT CONV-8—Part II[2]

Present:

U.S.	U.K.
Mr. Wilson, ODM	Lord Cherwell
Mr. Fleischmann, DPA	Sir Leslie Rowan
Mr. Harriman, MSA	Lord Knollys
Mr. Bissell, MSA	Mr. McDougall
Mr. Thorp, State	Mr. Hall
Mr. Winthrop Brown, State	Mr. Rickett
Mr. Ticoulat, DPA	Mr. Waight

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[1] Drafted on Jan. 22. The conversation took place following the luncheon at the Treasury (see TCT CONV-7—Part I, *supra*) and before the fourth formal meeting between the President and the Prime Minister (see Document 344).

[2] For Parts I and III, see Documents 335 and 352.

Mr. Senior
Mr. Wheeler

Tin

The U.K. representatives stated that they were prepared to supply 10,000 tons of tin to the United States during the first six months of 1952 at a fixed price of $1.18 per pound f.o.b. Singapore and 10,000 tons during the second half of 1952 at a price not more than $1.25 nor less than $1.18 to be negotiated after it was determined how they came out in their purchases of the first 10,000 tons. It was agreed to be desirable from the point of view of the effect on the market that announcement should be made only with reference to the first 10,000 tons, although if we were questioned by Congressional committees we would be free to give the full story to the committee in executive session.

As the discussion progressed, both sides inclined toward the view that it might be preferable to confine the agreement only to the first 10,000 tons.

(It was later agreed that the deal should include only the first 10,000 tons.)

The United Kingdom stated that it was a condition of their offer that if the United States agreed to pay a higher price than $1.18 to other countries the price to them should be correspondingly increased, and that we should not bid in the Singapore market without first consulting with them. The reason for this proposal was because the British were taking the risk of having to buy tin in the open market and sell to us at a fixed price and if we should pay a higher price to someone else it would certainly raise the market price correspondingly. They felt entitled to protection if we found it necessary to take any such action.

It was suggested by the United States that we might wish to pay a somewhat higher price to Bolivia because of the higher costs prevailing for a large part of the tin production of that country. The British said that they would not object to any differential that was customary in the trade as between Bolivian and Malayan tin. The discussion on this point of a possible differential price was inconclusive and was left for further discussion.

Aluminum

The British agreed to supply aluminum at the rate of 5,000 tons per quarter beginning with the second quarter. In addition, they agreed they would definitely commit themselves now to supply in the second quarter the last 4,000 tons of the precious deal which was to be confirmed later by them.

The U.K. informed us they had no strategic stockpile of aluminum. They requested we be prepared to replace all of this aluminum to them, including the first 10,000 tons, by June 30, 1953. We informed them that if there were no delays in our expansion program it appeared likely we could do this but we wanted the privilege of reopening this matter with them if it appeared that our program was delayed.

Copper

In the case of copper, the U.K. advised that they would be unable to supply any refined copper but would consider supplying some brass strip if we would furnish them with our specifications. They promised to review the copper situation.

Steel

In the case of steel there was some misunderstanding as to how definite our discussions had been on January 7.[3] The matter was finally concluded with the statement that their requirement for the year 1952, including that which had been allocated to them for the first quarter, was 1,250,000 tons which they could use in iron ore, ingots, scrap or steel, any iron ore shipments to be adjusted on a formula to be agreed upon.

They were informed there was little likelihood of our supplying them plates or structural and serious question as to our ability to supply them equal monthly shipments during the last nine months, and that it was possible we would have to ship the bulk of the tonnage in the last six months of the year. A task committee is to get together to reconcile the tonnage figures, and it was agreed that in arriving at these figures ingots and scrap would be taken on the basis of ton for ton of finished steel.

The U.K. claim their furnaces are now running at full capacity with low grade ore with 28% metallic content and that by the use of high grade ore of 60%, which had been offered to them through U.S. industry in the amount of 750,000 long tons, it would be possible for them to increase their steel output. They stated that the difference between the iron content of the high grade ore of 60% and that of their own low grade ore was 32% so that 750,000 tons of ore was equivalent to 250,000 tons of steel.

G. J. TICOULAT

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[3] See Document 335.

No. 343

741.13/1-952

Memorandum by the Special Assistant to the Secretary of State (Battle) of a Meeting Between President Truman and Prime Minister Churchill, The White House, January 8, 1952, 5 p.m.[1]

TOP SECRET

Following the meeting at the White House yesterday with Mr. Churchill and Mr. Eden, the Secretary spoke briefly to Mr. Matthews and Mr. Bohlen and me about a rather brief restricted meeting which took place at the White House either before or after the larger meeting.[2] The President apparently designated those who were to attend this restricted session. He had had discussions with Mr. Acheson and Mr. Lovett prior to doing this but the implication to the British was that the entire session was at the President's initiative. The Secretary made the following comments about what had taken place in that session. This is not a complete record but may be the best that we will have on this session unless someone else from the Department attended (which I do not believe to be so).

The President opened the session by making remarks as to the need for SACLANT. He said that this Command arrangement had been agreed to and he wanted Mr. Churchill to hear the reasons for it. The reasons for the Command were then developed.

Mr. Churchill then said that the United Kingdom had lost much of its former power. He said that the United States had atomic power, productive power, et cetera. He said that British life depended on the sea. He said that the British had earned equality with British blood. He said that was all the British wanted—equality, not primacy.

General Bradley then said that what the Prime Minister wanted was exactly what they were getting under the SACLANT arrangement.

Admiral Fechteler then said that the Prime Minister did not understand the origin of the problem. He pointed out that 12 nations, including the United Kingdom, had agreed to the Command arrangement. He said that, in fact, the plan had been presented to NATO by the British Chiefs of Staff. He said that if the United

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[1] Drafted on Jan. 9.

[2] The minutes of the fourth formal meeting of President Truman and Prime Minister Churchill, held immediately following the conversation reported here, are printed *infra*. According to these minutes the restricted meeting took place at 5 p.m. before the fourth formal session.

Kingdom withdrew its approval, then the 12 nations would have to settle the question.

Mr. Churchill said that the main navies involved were those of the United States and the United Kingdom and that he thought that they should be the ones to settle this matter.

The Prime Minister was then told (I believe by the President) that what we were discussing is the rights of people—not the size of navies. He said that the 12 nations had an interest in trade routes and related matters and that we could not decide without them.

It was left that the Prime Minister would think about this during his trip to Ottawa and see what he could do.

L.D. BATTLE

No. 344

Truman Library, David D. Lloyd files

United States Delegation Minutes of the Fourth Formal Meeting of President Truman and Prime Minister Churchill, The White House, January 8, 1952, 5:30–6:28 p.m. [1]

TOP SECRET

At 5:00 o'clock there was a special meeting in the President's office attended by the President, the Prime Minister, and the following officials: General Bradley, Secretary Lovett, Secretary Acheson, Admiral Fechteler, Lord Ismay, Field Marshal Sir William Slim, First Sea Lord McGrigor and Air Marshal Elliot. [2]

This meeting concluded at 5:30 and the participants moved into the Cabinet Room where the attendance was as follows:

The President
- Dean Acheson—Secretary of State
- Robert A. Lovett—Secretary of Defense
- John Snyder—Secretary of the Treasury
- W. Averell Harriman—Director for Mutual Security
- Walter Gifford—Ambassador to the United Kingdom
- H. Freeman Matthews—Deputy Under Secretary of State
- George W. Perkins—Assistant Secretary of State
- General Omar Bradley—Chairman, Joint Chiefs of Staff
- Charles E. Bohlen—Counselor of the Department of State
- Ridgway Knight—Department of State
- Henry A. Byroade—Department of State

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[1] Another set of minutes, drafted by Knight and designated TCT MIN-4 which are the same in substance, but lack the detail present in this text, is in Conference files, lot 59 D 95, CF 100.

[2] A memorandum on this meeting is printed *supra*.

Charles S. Murphy—Special Counsel to the President
Joseph Short—Secretary to the President
David D. Lloyd—Administrative Assistant to the President

Prime Minister Churchill
Anthony Eden—Secretary of State for Foreign Affairs
Lord Cherwell—Paymaster General
Lord Ismay—Secretary of State for Commonwealth Relations
Sir Norman Brook—Secretary to the Cabinet
Sir Roger Makins—Deputy Under Secretary of State
Sir Leslie Rowan—Treasury
Mr. Shuckburgh
Mr. Pitblado
Mr. Gore-Booth
Mr. Mallaby
Field Marshal Sir William Slim
Admiral Sir Roderick McGrigor
Air Marshal Sir William Elliot
Sir Kenneth McLean
Sir Christopher Steel

To this group was added the raw materials working group headed by Mr. Charles B. Wilson, Director of Defense Mobilization. Mr. Wilson left before the meeting convened at 5:30, leaving Mr. Manly Fleischmann, Administrator, Defense Production Administration, to make the report. This group included Mr. Willard Thorpe, Assistant Secretary of State, and on the British side, Mr. Rickett, Mr. McDougall, Mr. Hall, Mr. Powell, and Lord Knollys, though it is not clear that all these gentlemen were in the room.

The President called the larger meeting to order at 5:31 p.m. He asked if the Prime Minister would agree to calling on the raw materials working group to make their report, which he said he believed was ready at this time.

Mr. Manly Fleischmann reported for the group. He said that agreement had been reached on three matters.

The first was tin. It had been agreed that the United Kingdom would sell to us ten thousand tons of tin at $1.18 a pound. It had also been agreed that an additional ten thousand tons of tin would be made available to us in 1952 at prices within a range from $1.18 to $1.25 a pound. The price at which the additional tin would be purchased would depend on cost to the United Kingdom. We agreed not to let the United Kingdom take a loss on this tin. It was also agreed that a formal agreement would be entered into and made public only with respect to the first ten thousand tons. It had been felt that the second ten thousand tons would have serious price repercussions if it were announced at this time.

With respect to aluminum, it had been agreed that the United States would be supplied with five thousand tons per quarter during 1952 on a loan basis. We on our part had agreed to repay this aluminum in kind by July 1953, provided our new production comes through on schedule. The British would make this aluminum available by the diversion of Canadian contracts, which the United Kingdom would forego.

With respect to steel, it had been agreed that the United States would supply to the United Kingdom 1,250,000 long tons in the calendar year 1952. The forms and types of this steel and the time of the deliveries were to be under United States control. We were aiming at providing approximately 100,000 tons per month if we can. As to shapes and types, we cannot provide the particular kinds the United Kingdom likes the best. We were short of structural steel. Our shipments would be heavily loaded in the early part of the year with sheets and ingots, shapes to come later. From this total of 1,250,000 tons, would be deducted all that has been delivered in 1952, amounting to around 100,000 tons.

Mr. Fleischmann asked Lord Cherwell if these agreements had been correctly stated and if he had anything to add.

Lord Cherwell said there was one qualification with respect to aluminum. If the British got into trouble on it, they would have to reconsider it at the end of the year. The problem of ore (tin?) raised questions. He believed the agreements would be a great help to the strength of the free world.

The Prime Minister then raised the question of copper.

Mr. Fleischmann said that we were receptive to copper but there wasn't any.

The Prime Minister asked why not. He said there was copper in Africa, lots of it. He said a bigger effort was needed in producing copper and that they would have to provide inducements for its extraction.

Secretary Eden said that getting more copper was a coal problem.

Mr. Fleischmann suggested that perhaps the United Kingdom could provide us with some brass strip for making cartridges, in place of copper. Even if it was only a token shipment of brass strip, it would help us with Congress.

The President agreed.

Lord Cherwell said they would like to do it, pointing out it would help their dollar position.

The President said that we had to anticipate great trouble with the Second Session of the Eighty-second Congress. This was an election year, with the whole House and a third of the Senate running for office. The question of foreign aid was sure to be a political one. He had no doubt, as he had told the Prime Minister before, that he, the Prime Minister, would be running for President at least in the Congressional debates.

The Prime Minister said that he would not run for President even if the Consitution were amended.

The President said he hoped the British would do what they could to help him put these things before the Congress.

The Prime Minister reverted to the question of copper. He said he was sure they could get copper. If it was a coal problem they would get more coal.

Secretary Eden said that it was very complicated—that it was a question of transporting the coal. There was some little interchange on this problem which was concluded by the Prime Minister saying they would do their best and Lord Cherwell saying that they wanted to "help on the Hill."

The Prime Minister then asked about nickel.

Mr. Fleischmann said that we got nickel from Canada and had no request to make of the British. He thought we should urge in the International Materials Conference that greater recognition be given to military needs. He thought the United Kingdom and the United States should have a bigger share of the nickel supply than they are now allotted since they are carrying the major part of the defense production burden.

The Prime Minister said he understood nickel was very important—that it was used in hardening steel and things like that.

Lord Cherwell said yes, it was very important as an alloy.

The Prime Minister said that these agreements on metals gave him a great feeling of relief. This was a big thing that had been arranged. Britain could now press on with its rearmament production and its exports.

Concerning aluminum, the Prime Minister suggested it might be good for him to have a meeting with the Canadians about it when he goes to Canada, or to set up such a meeting.

Mr. Fleischmann said that he would not anticipate any difficulties with the Canadians.

The Prime Minister pressed the idea that there might be talks with the Canadians about it, and that he would like to mention it in Canada.

Mr. Fleischmann said that there would be no objections to having a talk about it.

The Prime Minister concluded this point on the agenda by saying that we had made a great advance.

The President then brought up the next item, which he said consisted of three related topics concerning European defense. He invited the Prime Minister to express his views on these subjects.

The Prime Minister said that he had not been inconsistent on this matter in the various statements he had made in recent years. He believed he had been consistent and also right.

It was his purpose, he said, to help develop a European Army, but he did not want to send six English Divisions into action on the Continent without their ever seeing their pals again or being in touch with each other. The Army question had been all mixed up with the talk about unity. The aim was to have a grand alliance of forces which might lead ultimately to fusion and similar matters.

He asked the President to tell them if there is anything we want them to do. Recently in Paris, he said, they had said something significant on this subject. [3] General Eisenhower had been satisfied with the statement. General Eisenhower did not think the British ought to go into a European Army. They had not been asked to do anything beyond what was stated in this Paris communiqué which they intend to uphold honorably. They would do their part.

The French, he said, were not doing their part because of Indo-China. The French were fighting like tigers in Indo-China and this ruins their chances of building up a strong European Army. This emphasized the fact that we must have the Germans in the defense of Europe.

The President agreed. He said we must have the Germans. Acheson and Eden were working on it and he knew they would continue.

Mr. Acheson said that he had talked with Secretary Eden on the matter at length. [4] We were not urging the United Kingdom to join the European Army. We have, however, asked them for help on the Benelux thing.

Secretary Acheson said he wanted to explain the Benelux problem. At Paris, there had been a very important agreement between the French, Germans and Italians on the European defense. The Foreign Ministers of these three nations took the view that there was no alternative to a European Army if we are to get German participation. Therefore, we must bring the Benelux countries along so that they agree to this European Army.

The Dutch, Secretary Acheson said, had sincere objections to the European Army idea, but they were misguided. The Belgians were objecting but their objections were not sincere. What they feared was the possibility of an election in Belgium by 1953.

Secretary Acheson went on to explain the erroneous views held by the Dutch. These, he said, could be corrected.

1. The Dutch thought that if the European Army were set up, the United States would be less interested in Europe. As a matter of fact, of course we would be more interested in Europe. If the Eu-

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[3] For the text of the Churchill-Pleven communiqué, issued at Paris, Dec. 19, 1951, see the *New York Times*, Dec. 19, 1951, p. 24.

[4] Regarding the Eden-Acheson discussion on this topic, see Document 336.

ropean Army were set up, we would send more supplies and troops. The Congressional attitude would be very favorable.

2. The Dutch thought that the European Army would be dominated by the bigger powers. The remedy here was a plan for voting, such as that in the Schuman Plan, which would give the Dutch a vote larger than their material contribution.

3. The Dutch thought that if the three small countries (Benelux) could water down the European Army, they could get the British to join in. They hoped to bring in more British troops by weakening the European Army. Here Secretary Acheson said the British could help.

4. Another objection from the Dutch was their belief that if Germany were not brought into the European Army, there would be more rearmament business for the Dutch. On the contrary, if this were the case, the rearmament business would probably go to the United States.

5. The Dutch preferred bi-lateral deals with the United States, thinking they would get more that way. But, as Mr. Acheson pointed out previously, they would in fact get more through a European Army set-up.

6. The Dutch fear that their aid program will be cut down if there has to be a community review by the other European powers under the European Army set-up. This was not so, since the review of the aid program would be controlled ultimately by NATO. Secretary Acheson concluded by saying the worries of the Dutch could be met in these ways and by asking the United Kingdom to press the Dutch Government to join in this European Army. If they don't, he said, we won't get the Germans in.

Mr. Eden said that the British realize that the very possibility of this European Army is due not only to General Eisenhower but to the great work of the President and Secretary Acheson. They realized further, he said, that the European Army was the only way to get the Germans in. By the time of the Rome Conference, he said, it was clear to him that it was this European Army scheme or no scheme. There was no use of the British or anyone else devising a new scheme. He should have seen it before but he had not been in office.

With regard to the Dutch, he said, Secretary Acheson had made a good analysis of their position, and the United Kingdom would help. The Dutch want a loose scheme, he said. But if it is made looser, the French will be frightened of the Germans and the Germans will lose their equality in the scheme. This was the situation in a nutshell.

However, Mr. Eden said he wished to bring up another aspect. During the last few months, all the emphasis had been on the European Army and nothing was being said about NATO. The Dutch, he said, look to the sea. They are Atlantic animals. They need to be reassured that the European Army is within the Atlantic thing and part of it. The same reassurance is also needed for the United

Kingdom, for they too are more Atlantic animals than they are European animals. He hoped we would strike that note in the communiqué.

The Prime Minister said we should bear in mind what is the object of this activity.

The question, he said, was, if there is Russian aggression, will there be an army to stand in the line against them? Are there loyal, brave divisions, he asked, that will stand and fight and die together? The United Kingdom, the Prime Minister continued, was sending four divisions, three of them armoured, and the same was true of the United States. The substance of the thing in this sense was more important than the organizational set-up. They would all be under General Eisenhower's tactical command, and if he sends the United Kingdom divisions to fight among French divisions, or anywhere else, they will go there. The thing is to get as strong a force as we can to meet aggression.

The President said that if we get it, there will be no aggression.

The Prime Minister agreed. He said they would do all they can to encourage a European Army. But he did wish to say to all around the table that it was, in his opinion, the national spirit that inspired troops to fight. National spirt was a very important factor.

The President interrupted to say that the international army idea has worked in Korea and proved itself there. It has not interferred with nationality or fighting spirit. In Korea we feed the Turks as they want to be fed, and treat the other nationals in accordance with their customs, and they all get along very well together and fight well.

The Prime Minister said that the British would help all they possibly could. He said the Foreign Secretary will have his full blessing and support for a European Army. He said that he was also interested in greater unity in air forces. He thought there was a greater possibility of unified control there, by the nature of things, than there was when it came to pushing divisions around on the ground.

The Prime Minister continued, "Let the communiqué sing out that we are all in favor of the European Army. The British will help and mingle with the others and die if need be."

The President said, "That clears the air and covers the situation."

The Prime Minister asked the President whether he might call on General Bradley to express his views about the value of national spirit to fighting men.

The President assented.

General Bradley said that fighting for one's country is an inspiring thing, but that in Korea sixteen different national units had fought together very well. He thought it could be done if the army was united and if the national units were of division size. In his opinion, fighting as a European Army would not injure morale. Indeed, fighting for Europe might also be a helpful factor.

The Prime Minister said that in Korea they had a simple command situation. There was no federation superstructure with a lot of politicians on top of the army. That kind of thing was not good.

The President asked if there was any more business to bring up at this meeting.

Secretary Eden asked whether the NATO working party had any results to report on plans for the reorganization of NATO.

Secretary Acheson said they had been working on it and he thought they were agreed on all the necessary points of the reorganization with the exception of where the headquarters should be.

Secretary Eden said that he thought it would not be necessary to go into the matter fully now, and the next step would be to instruct the deputies to put forward their suggestions for discussion by NATO. Secretary Acheson agreed to this.

Secretary Eden said of course he still clings to London as the headquarters. London, he said, was subject to fewer fluctuations than Paris.

The Prime Minister said that Mr. Harriman had a bias for Paris.

Mr. Harriman said he had some leanings that way.

The Prime Minister said it was a bit foggy in London but it was really the most appropriate Atlantic capital.

Secretary Eden threatened to lobby for London.

The President said he would be glad to furnish some expert lobbyists.

The Prime Minister brought up the question of "Operation Dovetail" which he said had been discussed after dinner yesterday. [5]

Mr. Harriman explained what "Dovetail" was. The idea was to spread out and discuss the military programs and the production programs of both countries. Mr. Wilson had been talking about it yesterday. We knew very little about each other's production programs. In this way we could find what part of the British program was most essential and what was least essential. We should determine what the other NATO countries could do, what they could produce, etc. He thought the project should be talked over while Mr. Eden was here. He pointed out that in the last war we had dovetailed our production programs with great success.

The Prime Minister said that when he was a child, they often cut children's hair by putting a bowl on the child's head and cutting around it, but there was a more artistic way of doing it. He was in favor of the fitting of it in. He would nominate Lord Cherwell, Sir Leslie Rowan, Mr. Powell and Mr. Hall on his side to undertake discussions of "Dovetail."

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[5] For a record of the discussion during and after dinner at the British Embassy on Jan. 7, see Document 339.

The President said he thought that Mr. Wilson and Mr. Harriman on his side should take it up with them. It was a matter that Mr. Wilson was very much interested in and that he, the President, was very much interested in.

Lord Cherwell said it would help on the brass strip question.

The President then said to the Prime Minister that he understood that he would have the honor of boring the Prime Minister with the forty minutes of his State of the Union speech tomorrow. The President said he would have to work on this speech this afternoon and evening. He said he wished he could invite the whole British party to attend the joint session, but this was not possible.

The Prime Minister said it would be an honor and he would not be bored. He said that as an old politician and public speaker, he greatly appreciated the time and consideration the President had given to them all when such an important event as the State of the Union Address was impending.

The President explained that in addition to the State of the Union speech, the law now required him to send up an Economic Message and a Budget Message at the same time, and that he had been working on these things since September. He said that, nevertheless, he was glad to have the British here and to have such a successful conference.

The Prime Minister said he was glad too. He said, "Just give us a pat on the back, that's all."

The President adjourned the meeting at 6:25.

No. 345

611.41/1-852

Memorandum of Conversations, by the Assistant Secretary of State for European Affairs (Perkins) [1]

SECRET [WASHINGTON,] January 8, 1952.

Subject: Churchill Talks

Participants: Ambassador Bonnet
Mr. de Juniac

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[1] Drafted by Godley. The conversations took place at the Department of State on the nights of Jan. 7 and 8 following the conclusion of talks with the British on those days.

Assistant Secretary Perkins
Mr. G. M. Godley

Ambassador Bonnet called at his request last evening to inquire regarding the Churchill conversations and asked if I could indicate to him the general tenor of the discussions and review briefly what had transpired.

I told the Ambassador that we were of the opinion that the principal purpose in Mr. Churchill's coming to this country was to become personally acquainted with the American leaders and, probably more important, to increase Great Britain's prestige both in this country and throughout the world. He had been out of touch with world events for the last five years and he desired to establish the same kind of personal relationships that he had maintained during the war. We did not believe that Mr. Churchill was seeking any specific agreements or conclusions and we anticipated that the conversations would be quite general and broad. Yesterday's two sessions with the Prime Minister and his private talks with the President appeared to have confirmed these beliefs and the conversations so far had been quite general.

The first subject of yesterday morning's sessions had been raw materials, particularly steel. [2] The Prime Minister indicated that the United Kingdom needed steel and that she might be able to help us out in our shortage of nonferrous metals. It was agreed that Mr. Wilson and Lord Cherwell would pursue this matter further with United States and United Kingdom experts and some hope was expressed on our side by Mr. Wilson that we might be able to help the British out.

Mr. Churchill also said that the United Kingdom was not seeking economic assistance for internal purposes. He admitted however that the defense effort was causing grave economic difficulties and that his Government would not be abashed to accept aid for defense which was a common responsibility of the West.

The other subject discussed in the morning was the streamlining of the NAT Organization, the appointment of a Director General, and the assembly of non-military NATO groups in one capital. The British indicated in this connection that they would be very glad if all the civilian NATO organizations were in London and we for our part indicated that Paris might be preferable. This matter was not settled and it was agreed that it would be the subject of further study by appropriate British and American officials. At this point Ambassador Bonnet interrupted to inquire whether the personality of the Director General had been agreed upon, to which I replied that only the question of the creation of a Director Generalship had been discussed and that the person to fill the job had not been mentioned. I also said that there had been no discussion of the terms of reference and this matter would probably have to be worked out by all the deputies.

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[2] For a record of the morning session of Jan. 7, see Document 333.

Yesterday afternoon's session dealt with only two subjects, namely the rifle and SACLANT.[3]

Discussion of the rifle indicated that there had been considerable misunderstanding on both sides regarding this matter in that both sides were under the impression that the other desired its weapon to be adopted as the standard NATO rifle. The Prime Minister pointed out that this was not the British position in that they had a large number of their .303 weapons that could not be presently scrapped and we pointed out the same with regard to our M–1. It was agreed that both sides would continue the research on a basic rifle and that it was necessary for the West to come up with the best possible weapon for eventual NATO-wide standardization.

The discussion regarding SACLANT was fruitless. Neither side was able to convince the other of its position and unfortunately Mr. Churchill did not seem to grasp the necessity of a unified command structure. He kept referring to the World War II situation when each navy had its own commander in its area who worked well together. If there were any disputes they would then be referred to "their chiefs" who settled the matters among themselves. One interesting thing was the fact that Mr. Churchill did not seem to object to an American being in command of a greater part of the North Atlantic in that we had the majority of the ships in that area. He just did not, however, see the necessity for one complicated command structure.

This evening I continued the discussions with the Ambassador and informed him of the day's conversations. The morning session opened with discussion of the Middle East.[4] The first subject was Egypt and it was pointed out that there were two problems connected with that country, namely the Sudan and the Middle East command. It was generally agreed that nothing could be done at present with regard to these two items and the situation should simmer for a while. Turkey was discussed for some time and it was agreed that after Lisbon,[5] Turkey should be brought more actively into Middle East command discussions. With regard to Iran, Mr. Churchill indicated the principal problem there was the question of the price to be paid for the oil. Both he and Mr. Eden expressed interest in continued exploration of a possible solution through the International Bank.

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[3] For a record of the afternoon session on Jan. 7, see Document 337.

[4] For a record of the morning session on Jan. 8, see Document 340.

[5] For documentation on the Ninth Session of the North Atlantic Council, held at Lisbon, Feb. 20–25, see vol. v, Part 1, pp. 107 ff.

The Far East was then discussed and General Bradley briefed Mr. Churchill on the entire Korean campaign. This took considerable time in that the General described the first retreat, first advance, the second retreat and the second advance. There was also considerable time devoted to bringing the British up-to-date on the Armistice talks and the point was made that Vishinsky's recent maneuver to have the Armistice talks transferred to Paris seemed to be an attempt to drive a wedge between the Allies and to achieve other advantages through broadening the scope of the talks. Southeast Asia was then discussed and it was agreed that the situation there is very serious. Both Mr. Churchill and the President recognized the great efforts being made by the French in Indochina and the fact that the load she was carrying in Southeast Asia bore a direct relationship to possible efforts which she might make in Europe. Mr. Eden mentioned Malaya, pointing out the efforts the British were making there and the economic importance of that area to the United Kingdom. Ambassador Bonnet interrupted at this point to inquire whether any decisions were taken as to Southeast Asia, to which I replied in the negative, pointing out that while everyone recognized the seriousness of the situation, no one had any ideas as to possible solutions.

The conversation then shifted to Formosa and Mr. Churchill said that he warmly applauded our action in protecting the Chinese Nationalists of Formosa, pointing out that we just could not permit the slaughter of over 300,000 Nationalists who had fought on our side both during the last war and since then. Mr. Churchill also said that if he had been in the government, he would not have recognized a Communist China and if they had been recognized, he would have broken relations when Chinese forces entered the Korean war. As it is now however, there is no occasion to break relations.

In the afternoon[6] the conversation reverted to raw materials and the American side was able to indicate that we would be willing to supply more steel to the United Kingdom and the British indicated that they thought more tin could be sent to this country. It was agreed that during the last three quarters of this year we would receive 15,000 tons of aluminum from Canada which we would repay in 1953. Mr. Churchill then spoke about copper and nickel and said he thought it should be possible for the Commonwealth to assist us in these two items. This discussion became inconclusive however when he pointed out that the nickel came from Canada and the copper was still underground in Africa.

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[6] For a record of the afternoon session on Jan. 8, see the United States Delegation Minutes, *supra*.

The European Army was the next subject on the agenda and Mr. Churchill expressed concern regarding the present setup of the European Army. He stated however that a European Federation is essential and that therefore he would do everything possible to support the European Army and would speak to Belgium and Holland on this point. There was considerable discussion of the relative merits of such a European force and Mr. Churchill pointed out that what is really required is the will to fight which can best be maintained by supporting the national spirit. We pointed out that in Korea the troops had certainly shown a will to fight even when they were small national units.

Both the Americans and the British agreed that it was essential to get Germany into the European Army. Ambassador Bonnet of course expressed considerable interest in this portion of the conversation and asked several questions on what would be done with the Benelux countries. I pointed out that it was agreed that we and the British would coordinate our discussions with the Benelux and would seek to overcome their objections to the present area of agreement between France, Italy, and Germany. The Ambassador appeared to be quite pleased with this information.

In concluding the meetings, the question of the strengthening of NATO was again raised and the location of the non-military NATO defense bodies was again inconclusively discussed.

The Ambassador thanked me for this information and asked if he were correct in his assumption that the meetings had been not only cordial but also successful. I told him he was quite correct and that I had the very distinct impression that there exists between our leaders and the present British Government a better meeting of minds and comprehension than previously. Although it was quite apparent that the present British leaders suffer from lack of information on the developments of the last five years, they are nevertheless much more practical and less doctrinaire than their predecessors. This was indicated for example by Mr. Churchill's welcoming of our defense of Formosa and his views on the recognition of Communist China.

No. 346

Conference files, lot 59 D 95, CF 100

Notes on the Under Secretary's Meeting, January 9, 1952, 9:30 a.m. [1]

SECRET [WASHINGTON,] January 9, 1952.
UM N-441

[Here follow numbered paragraphs 1 and 2 reporting consideration of the Korean situation and Communist propaganda activites.]

Résumé of Churchill Talks

3. The Secretary stated that the current Churchill talks had been very useful and the outcome had been good. He commented on the varying points of view which are held by individuals in the main stream of foreign relations activity and those who have access only to the informational flow of materials. It was recalled that Mr. Churchill and his advisers, until just recently, had fallen within the latter category. The current conversations reduced mutual problems to their bare fundamentals and had the tendency to make "bright ideas seem less bright."

4. Specifically, progress was being achieved on the matter of raw materials. It would now be possible to work toward a solution of the Bolivian tin problem. The Secretary indicated that Mr. Eden would remain in Washington until January 11 and that certain of the problems had been referred to Mr. Eden and to him for further negotiation. He expected they would meet twice daily until Mr. Eden's departure. They will consider Japanese relations with the Nationalist Government, the Iranian question, Egyptian situation, Austrian treaty, Far Eastern problems, and one or two other items.

5. Concerning the question of the European army, the Secretary indicated that the discussions had been channeled away from the theory of establishing the "best army in a perfect world" to "this or nothing." This problem will be further negotiated with Mr. Eden. The question of the Atlantic Command is still open. It is viewed with a great deal of emotion by Mr. Churchill.

6. Mr. Thorp inquired whether there had been any discussion with Secretary Snyder of continuing the economic talks with the British and asked whether we wished to endeavor to cut off or continue conversations on long range economic problems. The Secretary replied that the question had been raised as to whether Wash-

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[1] The Under Secretary's meetings, instituted in 1949 by Webb, were held at the discretion of the Under Secretary to discuss topics of major concern to the Department of State. The master file of notes, summaries, documents, and agenda for the meetings is in lot 53 D 250.

ington machinery should be set up to continue long range economic discussions. Secretary Snyder was opposed to the suggestion. State did not press a viewpoint. Ambassador Gifford was opposed and had previously indicated that ensuing domestic measures in Britain would be painful; that they should in no way be construed as actions resulting from U.S. pressures. The Secretary said there were some things which the U.S. should and could do to try to keep the military production going during the transitional period of British economy; that there existed areas of activity which should be continued regardless of British national action. The question remained as to whether the British would move in and try to tackle the large problems which face them. Were they living beyond their means? Just what was the influence and effect of the vast sterling debt? Mr. Churchill shrinks from any vestige of foreign direction of British relations with the Commonwealth as well as his relations with the voters but if Mr. Churchill is not willing to tackle the big problems, then there is little which can be done.

7. In the light of the foregoing, it had been suggested that perhaps Secretary Snyder could send a Treasury representative to London to determine with the British Treasury officials the basis of the real troubles, thereby developing a tangible frame of reference for the discussions with the British Chancellor when he arrives. Mr. Nitze stated that while Mr. Churchill's problem with his voters was entirely a matter of his concern, the sterling area problems could not be worked out by Mr. Churchill alone. The solution would also depend on U.S. action. If Mr. Churchill is prepared to tackle the sterling area problems, then it would be most helpful for a Treasury representative to endeavor to get at the roots of the problems and find alternative remedies.

[Here follow numbered paragraphs 8–12 reporting the consideration of foreign assistance, the Korean truce, and inflationary pressures.]

No. 347

Conference files, lot 59 D 95, CF 100

Memorandum by the Officer in Charge of Egypt and Anglo-Egyptian-Sudan Affairs (Stabler) of a Meeting of Secretary of State Acheson and Foreign Secretary Eden at the Department of State, January 9, 1952, 10:30 a. m. [1]

TOP SECRET

TCT CONV-9

Present:

U.S.	U.K.
Secretary Acheson	Secretary Eden
Mr. Matthews	Sir Oliver Franks
Mr. Perkins	Mr. Burrows
Mr. Berry	Mr. Shuckburgh
Ambassador Gifford	
Mr. Stabler	

The Secretary said that Egypt was the first item on the agenda today. He said that we were in agreement on principles and that what he wished to raise this morning was the question of tactics. He believed that we should be prepared to move forward with the Egyptians in an attempt to break the present impasse. He felt that when the time came to do something, the question of King Farouk's title as King of the Sudan might be the means to ease the defense proposals through. He was not proposing that we do anything at the present time but that we merely prepare ourselves for the future. What was required was Four Power agreement on the substance of a move after which we would inform our Ambassadors in Cairo what we have in mind. The United States had no particular views as to whether the move should be made now or whether it should only be made after the WAFD is removed.

The Secretary said that the great problem in connection with the King's title, as indeed Mr. Eden had pointed out, was that if recognition of the title should in any way be considered an indication that we are accepting the Egyptian abrogation, it would not be possible to use it. However, we wanted to see if we could not work out an arrangement whereby recognition of the title could be justified by the United Kingdom on its terms and equally justified by the Egyptians on their terms.

The Secretary went on to say that if Farouk had the right to the title at some time in the past and the 1899 Agreements in no way removed his right to the title, then perhaps the decision could be made, possibly through the International Court of Justice, that his claim to the title under the Condominium Agreements was justified. If some such decision could be made, then we could wrap up the whole proposal in one package. The title might be helpful in removing the Sudan as an obstacle to the defense proposals but, of course, the Egyptians would have to agree to the whole proposal before we went ahead on the title.

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[1] Drafted on Jan. 11. Cleared with Berry and in part with Perkins and Matthews.

We proposed that Egypt agree to giving the Sudanese the right of self-determination. This right would be guaranteed by the United Kingdom, and possibly other powers, including the United States. Egypt would also have to agree that it would not upset the *status quo* of the administration of the Sudan. In other words, they cannot attempt to change the machinery of government. Lastly Egypt must agree to accept the Four Power Defense Proposals, recast in some form which might make them more comprehensible and acceptable to Egypt. If Egyptian agreement could be obtained to these three things, then arrangements might be made to recognize the King's title as "King of the Sudan".

Mr. Eden said that the Secretary's presentation was an excellent one and that he had these points in mind. He was not sure that from the King's viewpoint the title was really the most important. He felt that it was more important that we should persuade the Egyptians to discuss the defense proposals. Mr. Eden went on to say that he had told Salaheddin in Paris recently that what we wanted was to discuss the Four Power proposals with the Egyptian Government. We did not ask them to accept the proposals before discussion but we wanted to sit down and talk about them. Mr. Eden felt that if we could get the Egyptians to start discussing the proposals, we might be able to make a definite move forward in obtaining their acceptance.

Mr. Eden believed that the question of the King's title was a very difficult one. He doubted that it would be necessary to go to the International Court on this problem. In point of fact the British position had not changed with regard to Egypt's relationship to the Sudan. While the United Kingdom regretted that Egypt had torn up the Condominium Agreement, this had not changed the position, and the United Kingdom was prepared to call the King whatever was justified under the Agreements.

The Secretary then asked whether there had not been some decision by the British law courts that the King had the right to the title "King of the Sudan", and that the Condominium Agreements had not in any way destroyed this right. Mr. Eden said he thought there had been something of this sort.

The Secretary then asked Mr. Stabler to clarify this point. Mr. Stabler said that there had not been an actual court decision but that in 1946 at the time of the Bevin–Sidky discussions the law officers of the Crown had decided that the King had the right to the title. Mr. Matthews asked whether that was in connection with the Condominium Agreements. Mr. Stabler replied in the affirmative.

Mr. Eden said that the King did have the right to some sort of title under the Condominium Agreements and believed he used the title "Sovereign of Nubia, the Sudan Darfur and Kordofan". However, this was somewhat different from the title of "King".

Mr. Burrows said that recognition of the title would probably raise the question of the constitution which the Egyptians had prepared for the Sudan. The Secretary said that it was our understanding that there was no constitution in effect. There had been several Egyptian laws passed in connection with abrogation, one authorizing the definition of the status of the Sudan by special law and the second one declaring that a constituent assembly should prepare a constitution for the Sudan which would guarantee certain specified principles. The legal situation was that no constitution for the Sudan existed at present.

Mr. Burrows said that while this might be true, the impression exists in the Sudan that a constitution has been prepared and he believed that if the title were recognized, the Sudanese might think that the constitution had been accepted by the UK.

Mr. Eden said that the King's title has become mixed up with the decrees concerning abrogation. In this connection he wondered whether the British Embassy in Washington had kept the State Department informed regarding the "squawks" from Khartoum on the reaction of the Sudanese to the Egyptian moves. Mr. Burrows replied in the affirmative and said that as a matter of fact Mr. Stabler was leaving today for the Sudan. Mr. Eden said he was glad to hear this and hoped it would be possible for Mr. Stabler to have a good look at the situation there and the difficulties with which the UK is confronted. He inquired whether the US had any representation in the Sudan and was told that we did not.

The Secretary said that the important thing to do was to make a move which would give the King some strength in order that he might do something with the WAFD.

Mr. Eden assured the Secretary that the British would look into this question with urgency and see what could be done about a move. He thought it was particularly important that we should get the Egyptians to look at the 4-power proposals. All we wanted to do was get them to discuss the proposals and as he had told Salaheddin, they would not be committed in advance to anything. He then asked whether the US was proposing any change in the 4-power proposals. The Secretary said that we were not proposing any change in substance but there were a few points which we thought could be clarified in order that the proposals might be more acceptable to the Egyptians. Mr. Berry commented that the proposals as presented to Egypt were not worded precisely as they might have been and that in recasting them we should take into account Egyptian prestige, sensibilities, etc. What we wanted to do was make the proposals more attractive to the Egyptian public.

Mr. Eden said that he would actually prefer to give more, if it were possible, in connection with the 4-power proposals than give way on the Sudan. The UK did not want to sell out the Sudanese. Mr. Berry said that as the United States also had no desire to sell out the Sudanese, we were in agreement on this point.

Mr. Eden then asked whether in connection with this move we wished to examine the matter, including the redraft of the Defense Proposals, in Washington or in London. It was recalled that Mr. Bowker had come over in September 1951 to assist in preparing the original proposals. [2] He also inquired whether we had a redrafted text of the proposals which we might let them have. Mr. Berry said that we had not yet made a redraft. Mr. Eden went on to say that he would ask Mr. Bowker to start at once to work on the proposals. If it were necessary, he could send somebody here or we could send somebody to London. The Secretary said this would be entirely agreeable to him and he would be quite willing for Mr. Berry to go to London if it was decided to handle the matter in this way.

Mr. Eden then said that they would try to find some way around the question of the King's title and hoped that we would do likewise. He wished there were some other title besides "King" that could be used.

Mr. Berry said that we thought something on the King's title was necessary if we were to make progress on the defense proposal inasmuch as the Sudan question and the Canal Base problem were linked in the Egyptian mind.

The discussion on Egypt ended with the understanding that consultation would continue through our respective Embassies on preparing some sort of move.

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[2] For documentation on Bowker's visit to the United States and the preparation of the four-power proposal for a Middle East Command, see *Foreign Relations*, 1951, vol. v, pp. 1 ff.

No. 348

611.41/1-1552

Memorandum of a Meeting at the Department of the Treasury, January 9, 1952, 3 p.m. [1]

SECRET

TCT CONV-7—Part II [2]

Present:

U.S.	U.K.
Department of State	Sir Leslie Rowan
Mr. Thorp	Mr. Burns
Mr. Stinebower	Mr. Hall
Treasury	Mr. McDougall
Mr. Brenz	Mr. Rickett
Mr. Polk	
Mr. Willis	
MSA	
Mr. Bissell	
Mr. Woodbridge	

The Economic Position and Problems of the U.K.

Mr. Willis:—We want to look at the implications of the present economic situation confronting the UK, particularly the long term implications. This is the third postwar crisis. We are interested to know what action the UK Government is likely to take, both on the domestic UK front and on the wider sterling area front.

Mr. Thorp:—I like to view the present situation in historical perspective. I remember the visit of Keynes at the time of the negotiations for the loan. [3] At that time, we thought we made a thorough go-around about possible future developments. Keynes laid out a program for dealing with sterling balances. We then thought we were giving proper attention to the long term future. It turned out, of course, that we were not. Again we embarked on a thorough examination of the long term outlook in 1949 [4] but for various reasons we did not carry through with that examination, partly because the situation seemed to improve so rapidly. Looking back, we now believe the situation then improved so rapidly partly as result of devaluation, of the cut-back of imports, and also as a result of what we now know were fortuitous events. The United Kingdom has a tough problem. We are certainly interested in what you are planning to do about it. It creates a challenge of deciding what further steps are necessary to create a more stable situation.

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[1] Drafted by George Woodbridge of the Mutual Security Agency on Jan. 15. Another record of this meeting, drafted by Judd Polk of the Department of the Treasury, which is the same in substance, is in CFM files, lot M 88, box 160, "Miscellaneous".

[2] For Part I, see Document 341.

[3] For documentation on the conversations with the British, including Lord Keynes, from September to December 1945 which led to the signing of the U.S.-U.K. Financial Agreement at Washington on Dec. 6, 1945, see *Foreign Relations*, 1945, vol. VI, pp. 122 ff.

[4] For documentation on the U.S.-U.K. financial talks held at Washington in September 1949, see *ibid.*, 1949, vol. IV, pp. 781 ff.

I believe that the UK is a large tail on a dog, and that the dog sometimes goes tearing off without much control and that the tail is forced to follow and is necessarily involved in what the dog does. I wonder if it is all well integrated. I have the impression that much of the difficulties of the sterling area come from parts other than the UK. I should also like to add that I was disturbed by Hall's view that there is little capital flow movement reflected in the recent decline in gold and dollar reserves but that on the contrary most of the decline can be explained in terms of current trade. I assume that the colonies have continued to contribute to the reserve and that therefore the decline with respect to other areas is even greater than the figures indicated. As Lord Cherwell said the other day, the situation needs to have some stability injected into it. I would be interested to know your view on the long range problem.

Mr. Bissell:—This is the third UK postwar crisis. I think that there is some evidence of structural difficulties that would not be cured by adequate dollar reserves. As an opinion, I have the feeling that even if the UK position is serious, still it is in good hands and under control. My concern gravitates more to the RSA. These questions are in my mind and they must have arisen in yours.

1. To what extent have the other members of the RSA little sense of responsibility in respect to preserving gold and dollar reserves?
2. What is the bearing of the relatively uncontrolled capital movements between the UK and RSA?
3. What are the administrative problems in the RSA countries that limit the effectiveness of controls?

To what extent do these factors that I have just mentioned contribute to the present situation? It is surprising to me that the RSA should be in deficit to EPU. Presumably Europe is anxious to get hold of all the RSA materials available. It is therefore surprising and disturbing to me why RSA sales should be down. These matters require a searching look, particularly by you. I am sure that you will agree. The world won't hold together if something isn't done to remedy this situation. I would like to see agreement on diagnosis. That part of the sterling area least known and understood by us is the RSA.

Mr. Willis:—I have always felt that the independent sterling area is unpredictable and, of course, conditions and courses of change are not well known to us. The relationship between the United Kingdom and the sterling area is important, but we should not forget the importance of examining levels of consumption in the United Kingdom itself. Furthermore, we are interested not merely in the sterling area but in the Commonwealth as a whole.

Sir Leslie Rowan:—This is the third postwar crisis and therefore presents an occasion for us to look at the fundamental factors. The world has developed in a different way than the people who met at Bretton Woods expected.[5] We also think that we should look at the fundamental problems, but not just those of the UK and RSA in a vacuum. We believe that we must examine their problems in a wider and bigger setting. We should welcome new machinery to examine the situation, but we would want to look at the whole problem not just a part of it. It is clear that the world balance is liable to more violent fluctuations than we once thought. In the case of the United Kingdom we have undertaken a large rearmament program. It may look small in comparison with yours, but that is not true in real terms, as the TCC report has recognized. We undertook this program when we were convalescing, not when we had recovered. In spite of your help, which we greatly appreciate, and in spite of the severe restriction which we have maintained at home, we have never had the opportunity to build up our reserves to an adequate level. The Prime Minister has made it clear that we are determined to set our own house in order. We have already taken certain steps and more will be announced at the end of January. I cannot say now what they will be, but they will be along the lines of the past, i.e., they will put us in a better position to pay our own way. I would like to say at this point that the burden-sharing exercise that has been going on for many months has not yet resulted in any aid designed to assist our economic situation. We have, of course, received military end-items for which we are grateful, but these add to our security but do not strengthen our economy. Outside of machine tools we have in the past year received no assistance that would help strengthen our economic position. The immediate economic problem is, of course, for both the UK and the RSA, the gold and dollar reserve problem. In the last half year there has been a certain factor of leads and lags and flight of capital, the extent of which cannot be estimated.

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[5] For documentation on the United Nations Monetary and Financial Conference, held at Bretton Woods, New Hampshire, July 1–22, 1944, see *Foreign Relations*, 1944, vol. II, pp. 106 ff.

Capital movement including these leads and lags in the last quarter have not been significant. The deficit in that period can practically all be explained on the basis of current trade. We are therefore bound to be disturbed when we consider the outlook for the next 6 months. There has been a sharp deterioration in the relations of the RSA to the rest of the world. However, the crucial point is the trade position of the total sterling area with the rest of the world. If the total sterling area is not in balance with the rest of the world, the deficit must be met by a gift from the outside, or by a run on reserves. Trading within the sterling area is a different problem which in some ways affects the other but it is the relation of the sterling area with the rest of the world that is, of course, most important. We must attempt to achieve a balance between the sterling area and the rest of the world and within that a balance with the dollar area. We must work for that, and until that is achieved there can be no stability. We will discuss soon with the Commonwealth powers how to do this. The RSA position has deteriorated. There are various reasons such as lower demands and much lower prices for their products. There is also the impact of liberalization. I would like to say, however, that we have not found that there has been any degree of irresponsibility by the RSA members; on the contrary, they have played up well. In raising the question of capital movements within the sterling area I think you must keep in mind the basis on which the sterling area was built. These seem to me to be the principal points:

1. The UK was a great manufacturing country and could export.
2. The UK was a banking center where capital could be obtained.
3. The UK was a market where goods could be sold.
4. All along as the UK was in surplus it could provide convertibility.

These factors should be looked at again to see whether the basic conditions for the sterling area still obtain. However, I repeat, the main point is to achieve balance between the sterling area as a whole and the rest of the world. This must be done by examination of the problem in each part of the sterling area. We are trying to do various things. We have already made substantial cuts. The situation has so deteriorated since then that it now looks as though we should have to make in addition cuts at least as large. We welcome the suggestion of discussing the long term outlook. We want to talk to you about it. We would like to know what you have in mind in respect to continuing such talks here and in London.

Mr. Hall:—I should like to say that so far as the UK position is concerned I tend to be rather optimistic. I believe that what we are doing since 1946, though perhaps we had a too doctrinaire approach in money matters which is being corrected by the present Government, was right and was getting us up perhaps over the hill. We were all too optimistic in 1951. Our real weakness is, of course, coal. It is hard to talk about planning on a big scale if one hasn't succeeded in planning in respect to a small part of the total. I want, however, to assure you that we are deeply conscious of the importance of coal production. Looking at the wider scene, sterling balances are still a serious problem. I am not sure that we have thought out the implications of our position as banker. We have a current tendency to borrow short and lend long which I believe accentuates our weakness. Are we capable of fulfilling the conditions which will permit us to continue as banker for the sterling area? The UK must live within its means and I believe it can do so. The other members of the sterling area must also do so. In respect to the long term outlook, let us for a moment consider the past. The 1945 and 1946 talks were dominated on both sides by the thought that instabilities in economic relations would be caused by instability in employment. A lot of thought was given the question of how to avoid large scale unemployment. That has proved not to be a factor at all. For some time our treasury has believed and I have now come to agree that the swings in the modern world would be much higher than in the past and that therefore we should need much higher reserves than in the past. I do not think that we should assume that Korea and the rearmament program are unique. One begins to suspect that recurring crises will be part of the situation and that therefore we will need larger margins of reserves to meet them. The sterling area as a whole must live within its means. To do this it must first examine the relations between the various parts. It must then determine what are the possible degrees of swing. After that, it can determine the size of reserves needed to take care of these swings. I assume you want to live in the same kind of world that we want, and therefore consider these as common problems. We should certainly like to exchange ideas with you.

Mr. Bissell:—I agree with Rowan's analysis of the central problem, i.e., the question of balance between the sterling area as a whole and the rest of the world. Two lines of speculation occur to me. One of these relates to the internal situation of the sterling area and the relations between the UK and the RSA. It would seem to me that one circumstance has bedeviled this ever since the war. There is a strong stress to invest in all parts of the sterling area, even though from time to time the stress might be slightly higher in one part than in another. There has been a problem of savings. Therefore, it is not a problem of the fiscal policy of the government, that, because of obsolescence permitted in the 30's, because of the war, and for other reasons, there is an enormous demand for capital in the UK. Because they are essentially underdeveloped areas, there is also a considerable demand in the RSA. This seems to me to be a long term state of affairs. I think there will be a greater pressure for investment capital in the sterling area than in North America, i.e., the United States and Canada.

The second area of speculation relates to the course, nature, and probable magnitude of the swings. They are, of course, influenced by raw materials prices. I realize that minor changes in the U.S. situation have a great exchange effect on demand for and prices of raw materials. However, the UK payments with the rest of the sterling area changed just as violently as did the trade changes with the rest of the world. I am not clear why this has happened. In the United States there has been for 9 months an inventory recession. I think it is clear why this has taken place and that the role of the U.S. in this situation is also clear. What is less clear to me is what is happening on the other side. Is this sort of thing going to continue? There has been no depression in North America since 1930 and in the last year nothing approaching the recession of 1949. Yet there have been great swings in 1950 and 1951. Why? Is it a result of a set of accidents or is it something big that will continue?

Mr. Hall:—I think there has been a curious combination of unfortunate circumstances. We de-stocked in 1950 and then had to rebuild our stocks in 1951 and also to create stockpiles at the most expensive time.

Sir Leslie Rowan:—It is quite true that we did de-stock in 1950 and in the early part of 1951, but I don't think we should overemphasize this factor. Another thing to remember is that in 1950 by agreement the RSA kept its dollar purchases down to 75% of its 1948 purchases. In 1951 liberalization changed all this. It is worth recalling that in 1950 the UK was in surplus on its dollar account. There are four big factors that must be remembered in comparing 1951 with 1950.

1. Exports by volume were up 3%.
2. Imports by volume were up 14%.
3. The terms of trade were a half billion worse.
4. Invisibles were way down as a result of developments in Iran and elsewhere with which you are familiar.

Mr. Thorp:—It seems to me that the corrective factors undertaken by governments are often late in working and therefore tend to exaggerate swings.

Mr. Willis:—It seems to me that we are tending to establish the idea that there is only a remote connection between internal and external factors.

Sir Leslie Rowan:—We do not intend to do that, since there is of course a very close connection.

Mr. Hall:—I assume that what we are trying to do is to determine whether this crisis has been caused by a random coincidence of unfortunate factors or by certain fundamental factors.

Mr. McDougall:—There are two important things that we should keep in mind regarding the recent reserve drop.

1. The speculative element has been very small.
2. In the second half of 1951 we drew heavily on EPU credits.

It is by no means certain that these two factors would exist in the future. It is quite possible that a small deficit in trade might be accentuated by a much larger speculative drawing on funds. The lag in carrying out policy to which Mr. Thorp referred is bound to be true. But it is not only government administrative measures that lag; the effect of private business transactions is much the same. While we want to determine the size of the reserve needed to meet fluctuations, what we also want to do is try to find measures that will even out the fluctuations.

Mr. Willis:—The discussion has brought out a number of useful lines of emphasis and inquiry. Sir Leslie has emphasized the need of straightening out the internal positions in the sterling area. Mr. Hall has drawn attention to the tendency for fluctuations to be felt in the international accounts now rather than in domestic employment and incomes as in earlier days. Mr. Bissell has drawn attention to the "investment inflation" in the sterling area. Mr. Thorp has pointed out that the amplitude of swings was in the past due to administrative import controls being relaxed or strengthened on the basis of forecasts which frequently were incorrect. In effect, we have been drawing attention to the rather rough and discontinuous connection between internal and external factors which existed under the present situation as a factor in causing these swings but we were recognizing that the internal position needed to be given more emphasis than it had previously received.

Mr. Thorp:—It is difficult to see how conventional methods can deal with the present situation. I think it possible that you can get agreement with the RSA in connection with the problem of building up reserves. I am not sure, however, that the RSA would be willing to join in a policy of savings designed to reduce the sterling balances. Perhaps support of the sterling area is too much of a burden on the UK.

Mr. Willis:—Let us turn our attention from a preliminary look at the situation and examine the line of procedure that we might adopt if we feel that further examination of the situation is desirable. We should, of course, have to consult our principals before reaching any decision as to procedure but we might suggest that we do what we started to do in 1949, i.e., keep the examination of the situation as a sort of a continual agenda item and resume discussion whenever the British felt they had something useful to go on. Clearly we ought to make use of established channels (perhaps supplemented from time to time by UK visitors coming to Washington for other purposes). There should be no publicity. As for possible discussions in London, I have not given that much thought beyond feeling that London is pretty busy with operating problems and our idea was that discussions in Washington should not in any sense be a substitute for the regular channels on operating problems.

Mr. Bissell:—I agree with this.

Mr. Hall:—Is this what you have in mind?—There will be an informal group of interested U.S. departments who will be working on the problem. We shall, of course, have a similar group. Arrangements will be made to provide interchanges between the groups but on an informal basis.

Mr. Willis:—In general that is what I have in mind. I have thought of it being on an *ad hoc* basis rather than on a formal one. I realize, of course, that there is a danger of being sidetracked and that we should make special effort to avoid this.

Sir Leslie Rowan:—We have all recognized that there is a problem of world character. You are going to think about it; we are going to think about it. What we want is to be sure that our thoughts are married at a fairly early stage. We should try to keep a continuity of thought without, however, providing any elaborate measures for this purpose. The people who regularly work together will keep in touch with each other on this matter. Without any formalization, it would nevertheless be helpful if this were done. In the past there have been periodic meetings of ministers. I hope that this will continue. Such meetings could be forward-looking and would have to spend less time concentrating on the current situation, if the kind of thing that we are discussing can be arranged. I expect that Hall and I will frequently be visiting the U.S.

Mr. Hall:—It would be useful to have meetings when we are here but I would hope that we wouldn't just pick up where we left off at the previous meetings.

Mr. Bissell:—After all, we all work in bureaucracies and some of our thinking has to get written down. I suggest that we consider exchanging papers that should not be official communications but should be papers discussing matters on an informal basis. The discussions held when you make your periodic visits would be more useful if ideas had in this way been exchanged in advance.

Sir Leslie Rowan:—I am entirely in agreement that an exchange of papers would be most useful.

Mr. Willis:—I should like to think this one over. It is very difficult for government officials to disassociate themselves from their official roles.

Mr. Bissell:—It is quite clear that we cannot exchange all papers but in some areas the problems are minimal. We already exchange papers dealing not only with facts but with forecasts. I think we could do this with diagnosis. In policy areas there would obviously be limitations, but in analyzing what has happened and in making diagnoses an exchange would be possible and fruitful.

Mr. Thorp:—I agree with Mr. Bissell. The principal matter is that of understanding the status of the papers. The next step should be to codify the ideas we have expressed. We have to push on and get a diagnosis of the situation. This could be done better if it is done jointly. I do not think it can be done alone. It would be useful to exchange questions. Perhaps you can give us answers that would help us with certain things, and likewise we might be able to help you. I don't believe we have done as much of this as we should have.

Mr. Willis:—Well, I assume we shall all check these suggestions with our superiors.

No. 349

Conference files, lot 59 D 95, CF 100

Memorandum by the Director of the Office of Greek, Turkish, and Iranian Affairs (Rountree) of a Meeting of Secretary of State Acheson and Foreign Secretary Eden at the Department of State, January 9, 1952, 4:30 p.m. [1]

TOP SECRET
TCT CONV-10

Present:

U.S.	U.K.
Secretary Acheson	Secretary Eden
Mr. Matthews	Ambassador Franks

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[1] Drafted on Jan. 11. Apparently this memorandum of conversation and the two that follow (TCT CONV-4—Parts I and II) record the several topics that were dis-

Continued

Ambassador Gifford	Sir Roger Makins
Mr. Perkins	Sir Leslie Rowan
Mr. Nitze	Mr. Burrows
Mr. Berry	Mr. Leishman
Mr. Rountree	

Iran

The Secretary began by saying that he would like to point out certain current problems which the United States has in Iran. Two American programs are in operation in that country: military aid and technical and economic assistance under the expanded Point IV program. While we are having difficulties regarding both programs, the one involving military aid is most disturbing. Under the military program, we are supplying Iran with equipment which its forces require, and are maintaining in that country Army and Gendarmerie Missions engaged in training Iranians. Both aspects of the military program work together. The flow of military equipment makes the Iranians more willing to have our military missions in that country, which are very important from the points of view of maintaining the efficiency of the forces and of their morale. Prime Minister Mosadeq has refused to give assurances which are required by the Mutual Security Act in order to permit continuation of military shipments. The requirements of this legislation, as they apply to Iran, are not wise and increase our difficulties; nevertheless, the assurances are required and because of Dr. Mosadeq's refusal to give them it has been necessary to suspend further military shipments, effective January 8. With the suspension of military assistance, the status of the military missions becomes precarious. Dr. Mosadeq has indicated that he does not want to extend the agreement under which they remain in Iran, and in the absence of such extension they would stay after March 20 only on a day-to-day basis, which is not good from our point of view.

Regarding the economic development program, the Secretary said that we are financing the salaries and expenses of a number of technicians in Iran, and are supplying end items in order to carry out various development projects. Dr. Mosadeq has been persuaded to give the assurances required under the Mutual Security legislation for continuation of the present program, which involves ap-

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cussed at a single meeting starting at 4:30 p.m. The records of the Department of State do not indicate the order in which the topics were discussed. A five-point briefing memorandum, prepared by Berry for the use of Secretary Acheson in the discussion on Iran and dated Jan. 9, is in file 888.2553/1-952.

proximately $23,000,000, and it is going ahead. In addition, there has been under discussion with the Iranian Government for some time the extension of a $25,000,000 Export-Import Bank loan, which would not be in free funds but which would be for the purpose of financing materials from the United States for specific development projects. The technical discussions regarding this loan have vitually been completed. We will soon be in a position where we cannot continue to delay conclusion of the contract on technical grounds alone, and any further delay would obviously be upon political grounds. This obviously would create problems. We are now in the process of deciding what action should be taken in connection with this matter. We fully realize the implications of our proceeding, even though the loan would not relieve the immediate financial problems of the Iranian Government and indeed the utilization of the loan would require additional expenditures on the part of the Iranian Government for the internal costs of the projects. Our minds have not been made up on this matter but it may be necessary to render a decision in the near future. Before going ahead, the Secretary said, we will discuss the matter with the British.

Responding to the Secretary's query, Mr. Rountree said that it is expected that only a small portion of the Export-Import Bank loan could in any event be utilized during the next twelve months; perhaps no more than $5 million.

Mr. Eden said that the decision in this and other matters should rest to a considerable extent upon an appreciation of the situation in Iran. He commented that he had received information that Dr. Mosadeq intends going to the Hague Court for the purpose of stating the Iranian position upon the question of the Court's adjudication of the oil issue. This move would prevent the opposition from attacking him until he gets back to Tehran, and he must feel that if he should be successful in the Hague, it would work well for him as did his appearances before the Security Council. The British Embassy in Tehran had suggested that the British might request postponement of action by the Hague Court in order to prevent this move by Dr. Mosadeq at a time when his opposition in Iran is making itself felt. Mr. Eden continued by saying that the situation in Iran generally does not look as though an early solution can be evolved.

The Secretary said that it appeared as though things in Iran were coming to an early crisis and expressed the opinion that our respective appreciations of the general situation are not far apart. We believe that Mosadeq's opposition is becoming weaker rather than stronger, and potential alternative Prime Ministers have lost considerable prestige. As a result, the Shah himself has become weaker. The main difference in the estimates of the British Embassy in Tehran and of ours is as to the length of time the present situation can continue without internal difficulties of a very serious nature. Ambassador Henderson thinks the time will be sooner than does Middleton, but this is a question of whether it will be sixty days or 120 days, for they both agree that trouble is coming and that is the important thing. Moreover, even if the differences regarding oil should be solved tomorrow, six months or more would be required before Iranian financial problems could be met. The representatives of the IBRD now in Tehran are returning to Washington on January 15 and it is most important that the Bank's precise plan be formulated as soon as possible. The heart of the problem of evolving a solution is the question of price. In general the Bank's proposal is that it would operate the oil industry; oil would be sold by the Bank at a price to be agreed upon, which they are thinking of in terms of $1.75 per barrel; and proceeds from oil sales would be divided with 25 percent going to the Iranian Government, 25 percent to the purchasing organization and 50 percent to the Bank. The latter would use its share to pay operating expenses and would set aside the remainder for subsequent distribution when the questions of compensation and discounts have been settled. The 25 percent to the purchasing organization would in fact be a discount, the balance being divided one-third and two-thirds. The main problem here is that Mosadeq wants to know what happens to that portion retained by the Bank. The Bank can say that it is for final settlement, but Mosadeq would think this is too vague and there would be serious difficulty upon the point. The Secretary then outlined in general terms an alternative solution based in part upon Mosadeq's own suggestion which was made to the British Chargé through an emissary, and in part upon certain statements which Mosadeq made while he was in the United States. The plan would involve an agreement upon compensation, the amount to be determined by representatives of the two parties. Dr. Mosadeq does not want a Board including a third member. Indications are that Mosadeq would accept for compensation a figure of 100,000,000 pounds, plus the 42,000,000 pounds now held by AIOC as royalties due the Iranian Government under the unratified supplementary agreement. He would waive counter claims under such a plan, and thus total compensation might be established in the neighborhood of the equivalent of $400,000,000. Mosadeq has suggested that he would agree to pay full compensation in oil before sales are made for the account of the Iranian Government. This would involve the International Bank not only bearing the cost of production in the period during which compensation shipments were made, but the Bank would also be asked to support the Iranian economy during that period. This would impose a very heavy burden upon the Bank, and it is not likely that they could agree. The scheme, however, might be used as a basis for working out something better. For example, sales of oil at an agreed discount price might take place simultaneously with deliveries of free oil as compensation. In this way the revenues could support the cost of operating the industry and provide some funds to the Iranian Government to meet its needs.

Mr. Eden said that he had not seen the plan suggested by Dr. Mosadeq's emissary to the British Embassy and was shown, by Mr. Burrows, a copy of a pertinent telegram. Other British representatives present likewise appeared unfamiliar with the communication.

The Secretary commented that our concern is that if the Bank continues upon the basis of its present proposal, and that is rejected, then we are in bad shape. It would be desirable if the Bank could have more flexibility. The present position of the Bank is based primarily upon an interim solution and not a long-range solution, the idea being that if it could get the industry going for a period of two years, the situation might meanwhile change for the better and the chances for future settlement would be enhanced. Mosadeq, however, might not be willing to accept any arrangement under which disposition of a portion of the proceeds from oil sales remains in question. We should, therefore, be thinking about an alternative solution which would establish an amount of compensation and arrangements for running the industry until compensation is paid. It would be necessary, at the same time, to have an agreement upon the discount at which additional quantities of oil are to be sold. An important question is what happens at the end when the compensation has been paid. The Iranian Government would then own the properties and the British would have received the equivalent of $400,000,000. However, with the compensation payments the British could develop additional refining capacity somewhere else where there is a more reliable source of crude oil. Under those circumstances, the question which must be carefully considered is whether Mosadeq would be in a position where he would be able to sell oil at prices which would endanger the established oil industry or whether his position would be weaker by virtue of the increased productive capacity which will have been created. There is a danger that he might seriously prejudice the international oil business. On the other hand, substantial competition would have been built up against him. The alternatives to such a course might likewise present very real dangers, perhaps greater and certainly more imminent ones. The oil concessions throughout the world are in trouble in any event as a result of the situation that has been created in Iran. This whole matter requires very careful study.

Sir Leslie Rowan expressed the view that the essential feature of any deal must be arrangements for the sale of oil. The United Kingdom views the current problem from a much wider point of view than in relation to Iran alone. The 50–50 principle is extremely important and must emerge quite clearly from any settlement; otherwise the entire oil industry is in trouble. There are various ways of evolving a settlement which would meet this principle and he does not know what plan the IBRD has in mind, since it has only established general principles. He felt that the acceptance of the principles is an essential condition to working out a detailed plan; otherwise the plan could do substantial damage on a much broader scale than Iran alone.

The Secretary said that it is very important to keep the discussions with Iran going and not to reach a dead end. The 50–50 principle is important, but in order to say whether the 50–50 principle is valid, one must know within what context it arises. If, for example, Iran had funds in England with which to pay in cash for the oil installations which it had nationalized, the 50–50 principle would have no validity. Since it cannot pay in cash but must pay out of oil resources, an essential point is that there must be effective management under which compensation payments can be assured. Moreover, if the IBRD put substantial sums of money in Iran they must insist upon effective management in order to secure their investment. The question is of what things you talk about at what points. Mosadeq says that he wants to know what happens to that portion of the revenues from oil sales which is held by the Bank. One way of clarifying this position is to inject the element of compensation.

Mr. Nitze commented that there are two ways of approaching the Iranian problem. We could start out with a set of principles and then come down to a specific proposition, which might be quite unsaleable, and would cause grave consequences. Another approach would be to lay aside general principles and to decide what might constitute a practical solution to the difficult problem. That is the approach that we think wise at the moment. The suggestion outlined by the Secretary would involve the payment of $400,000,000 in compensation, plus a continuing discount of, say 25 percent, on oil. This would result in approximately a 40–60 percent division of profits. If the discount must be something less than one representing a 50–50 split of profits, it would certainly not be good; but on the other hand present arrangements in other countries do not uniformly provide for an equal sharing of profits. Indonesia and Venezuela were cited as examples. Even if no arrangement is made with Mosadeq, we are headed for deep trouble elsewhere. It is worth exploring something within the realm of possibility and moving forward upon that, rather than insisting upon general principles which could never be sold to Mosadeq in the absence of a specific proposition.

Mr. Eden stated that, regarding price, he felt the Bank should be permitted to make their proposal and the British could then say whether it would be acceptable.

The Secretary said that the Bank's present plan would make the actual price relatively unimportant. The Bank is endeavoring to find a way to get some portion of the sales price back to the people who buy the oil, and in doing so they are maintaining the 50–50 principle in several ways. First, 50 percent is held for expenses and final settlement and, second, the remaining 50 percent is again split in half. Under their suggestion of withholding a substantial portion of the proceeds they would confuse the ultimate question of price. The Secretary commented that he entirely endorsed the idea of giving the Bank an adequate chance to develop a plan and to try to sell it, but that we should be considering now what next moves might be made.

Sir Roger Makins commented that if it should become known that we were considering new steps to be taken following any rejection of the Bank's plan, the chances of its rejection would be greatly increased. He said that if a scheme could be developed which would be found satisfactory to the British, that in itself would be compensation and we would not need to be concerned with payments by the Iranian government.

The Secretary disagreed with this approach and said that what we have been trying to do is to translate compensation into a new scheme for the production and sale of oil, but Mosadeq has made it fairly clear that this will not work. What Mosadeq wants is for the British to be paid off so that at some point he will have completed his obligation in the matter of compensation.

The Secretary continued by saying that if it is not possible for the Bank to sell its plan, we must consider the next step. Garner will undoubtedly ask the British and ourselves what he should do. He will want to know if he should take to Iran with him only the plan which he has developed, and if it fails whether he should come home. If there were unlimited time available in which to work out a solution, he might be advised to do that. However, there is not enough time. The situation in Iran cannot go on indefinitely without incurring the very real danger that a solution will come too late. It is best to have alternates. Garner will certainly want to know whether or not there are other moves which might be made.

Ambassador Franks expressed concern that there is enough difference in the British and American political assessments to make it difficult or impossible for us to come to an agreement upon the precise steps which should be taken. The British believe that whether or not a settlement is made, the result would probably not be a catastrophe. They say, however, that conditions would continue to deteriorate and that some danger would be involved. They know that there are United States interests in Iran as well as British, and that those interests would incur the same risk. The Ambassador commented that in Persia they often encounter serious threats, but they seem never to go over the cliff. They continue on in one way or another. The United States has been more alarmist. The difference between our respective views is largely responsible for our different approaches upon the oil issue. The basic British thinking upon the oil question is that they must keep their hands on all or most of Persia's oil. This is a question of a hard physical asset, and the position is based upon the principle that those who have oil to dispose of have a very great facility, particularly under world conditions as they are today.

The primary condition of any solution is therefore a condition relating to the sale of oil, the Ambassador continued. The outcome must be that the United Kingdom has its hands upon all or most of the oil produced by the Iranian industry. Beyond that the British want to pay for the oil in a manner which is satisfactory to them which means they want to pay for it in sterling since dollar payment would impose an unbearable hardship upon the British economy. Further, the British insist upon paying a price for oil which gives to them as big a profit as is reasonable. In these circumstances, the question of compensation is relatively unimportant. Under any arrangement, the British must be satisfied, however, upon these three essential elements.

Ambassador Franks, continuing, said that the United States is worried over the situation in Iran and in their alarm would shade any possible solution in favor of Iran. They think that the future of Iran is very black indeed and that a sacrifice is worth while in the common cause. The United Kingdom feels more inclined to insist upon the 50–50 principle and upon arrangements which otherwise would do minimum danger to its position. We have been talking about various devices for possible agreement, the Ambassador said. If we could reach substantial agreement upon the situation in Iran, the details of an arrangement upon the oil question could, he was confident, be worked out. He was, however, troubled by the thought that British and American talks upon a solution to the oil question per se would immediately raise the problem of political assessment and this would make it unlikely that we could agree on what kind of settlement should be accepted. He emphasized that the British hold on the oil is something that they are prepared to go a long way to secure. It should be possible, even granting our respective pre-judgments upon the situation in Iran, to agree upon an assessment of whether or not the fall of Dr. Mosadeq would present a catastrophe. If it would not, the United States should back the British position to a much greater extent. If, on the other hand, the United States representatives were to persuade the British that the American views more accurately represent the situation, the British should be prepared to yield to the United States position.

The Secretary said that he agreed in large part with what Ambassador Franks had said, but not all. He agreed that the difference is in the political estimate but he was impressed by the fact that the differences between our two embassies in Tehran are not so great. If Iran did not occupy its peculiar geographic location, the problem would be much easier. It is not as though we were dealing with a country remote from the Soviet Union. It is in a bad spot. We could not agree with the latter part of what Ambassador Franks had said. The Secretary emphasized that it is the refining capacity which is of such great importance at the moment since the British have access elsewhere to plenty of oil in its raw stage. By increasing their refining output somewhere else, the British would make it considerably more difficult for Iran to sell its oil, and the question arises as to what would happen to the Iranian industry under those circumstances; whether it would be a maverick which would upset the entire oil business, or would act sensibly in its own interest.

Sir Roger Makins states that the British are prepared to "play" much longer than we are. The British estimate is that Mosadeq will be compelled to accept a satisfactory arrangement sooner or later. They are perfectly prepared to have the Bank proceed with its efforts, but they do not want to confuse the Bank by considering now some other scheme before the Bank is given the "full run". After two or three months, if the Bank is not successful, something else might be tried.

Mr. Eden inquired concerning our views as to what will happen in Iran in the absence of an oil settlement.

The Secretary said that we do not say that Iran would collapse immediately, but the result would be a gradual weakening of the economy. A series of changes of Government might be expected, which would result in increased influence of the Tudeh party. The Secretary asked Mr. Rountree to comment upon this point.

Mr. Rountree said that our concern does not relate to the future of the Mosadeq Government, as it is quite possible that increased economic pressure might eventually cause its fall. Whether Mosadeq or any other Prime Minister is in power, however, Iran soon will be faced with four alternatives: either they must come to an agreement upon the oil issue, which would permit a resumption of oil revenues through sales to normal customers; obtain financial assistance from the United States in order to prevent the collapse of the economy; sell oil to new customers, which would certainly mean sales to the Iron Curtain countries; or look to the Soviet bloc for economic assistance and a *modus vivendi*. In the absence of an oil settlement or of American economic aid, the Communists in Iran would have powerful arguments of persuasion for turning Iran to the Soviets. This pressure, accompanied by an extremely difficult economic situation, which would soon result in civil servants and the Army going unpaid, could not fail to result in very substantial Tudeh gains and the Tudeh might soon take over one way or another. An immediate problem which arises from the failure of Iran to sell its oil to normal customers or to receive financial aid from the United States is that Iran is considering the sale of oil to Czechoslovakia and Poland. While such sales could be only in small quantities, any would raise the immediate problem of the Battle Act.[2] The necessity of withdrawing American aid as a result of this situation would eliminate any influence that we have in Iran and would make the job of the Tudeh much easier.

Sir Roger Makins commented that the British estimate of this situation would be different, particularly regarding the ability of Iran to sell and have delivered any quantities of oil to the Satellites. He said the main problem here seemed to be our own legislation.

Mr. Rountree said that we did not estimate that there was the capability of delivering large quantities, but delivery of any quantity not only would raise the question of the Battle Act but would establish a trend which might be difficult to stem.

The Secretary said that we of course have no way of knowing that these things will happen, but we feel that there is a real chance that they will happen.

Sir Leslie Rowan commented that while the Americans are uncertain as to what might happen if no arrangement is made, from the British point of view they feel certain what will happen if a bad arrangement is made. The effect on other British arrangements would be catastrophic.

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[2] Under the terms of the Battle Act the United States was obliged to discontinue economic and military assistance to countries which shipped strategic goods to the Soviet Union or its satellites.

Sir Roger Makins said that the consequences of submitting to blackmail would be grave. Mosadeq has deliberately broken an agreement and the British are determined not to get back at the expense of other external British positions.

The Secretary stated that there is no question that if we have a bad settlement, we will have trouble. The point is that we must find a settlement with which we can live. He then suggested that Mr. Eden might wish to have Sir Roger Makins and other British representatives meet with Messrs. Nitze, Berry, Rountree and other appropriate American officials to discuss this matter in more detail.

Mr. Eden agreed to this and suggested that arrangements be made for such a meeting.

Since Sir Roger will not be available until Tuesday, January 15 tentative plans were made for a meeting on that day.[3]

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[3] No record of a meeting with Makins on Jan. 15 has been found in Department of State files. However, on Jan. 17 Makins, Christelow, Rickett, and Burrows met with Nitze, Thorp, Berry, Raynor, Rountree, and Ferguson to discuss Iran.

No. 350

Conference files, lot 59 D 95, CF 100

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) of a Meeting of Secretary of State Acheson and Foreign Secretary Eden at the Department of State, January 9, 1952, 4:30 p. m.[1]

SECRET

TCT CONV-4—Part I[2]

Present:

U.S.	U.K.
Secretary Acheson	Secretary Eden
Mr. Matthews	Sir Roger Makins
Mr. Perkins	Mr. Burrows
Mr. Berry	
Mr. Rountree	

At the beginning of the meeting, Mr. Eden said there was one point on which he needed clarification in connection with Korea. He said if there was an armistice, was he right in assuming that the US suggestion was there should be a UN committee to negotiate a political settlement.

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[1] Drafted on Jan. 11. For the records of two other subjects discussed at this meeting, see TCT CONV-10, *supra* and TCT CONV-4—Part II, *infra*. The records of the Department of State do not indicate the order in which the subjects were discussed.

[2] Parts II and III are printed *infra* and as Document 355.

Mr. Acheson replied that was correct; that we had thought of a committee of five or seven, the number to depend upon whether France and the UK wished to participate. The other five would be the USSR, US, Australia, Turkey and Thailand.

Mr. Eden indicated that he thought they definitely would wish to participate.

Mr. Acheson stated that he thought perhaps the only real accomplishment such a committee could make would be finding some formula by which the UN troops stationed in Korea might be reduced in number.

No. 351

Conference files, lot 59 D 95, CF 100

Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Allison) of a Meeting of Secretary of State Acheson and Foreign Secretary Eden at the Department of State, January 10, 1952 [1]

SECRET

TCT CONV-4—Part II [2]

Present:

U.S.	U.K.
Secretary Acheson	Secretary Eden
Mr. Dulles	Sir Oliver Franks
Mr. Matthews	Mr. Tomlinson
Mr. Perkins	Mr. Shuckburgh
Mr. Allison	
Ambassador Gifford	

Japan's Relations with China

The Secretary opened the discussion by referring to a previous brief mention of the matter between the President and Mr. Churchill and the fact that the matter had been referred to Mr. Eden and the Secretary for further discussion and decision. [3] Mr. Dulles was then requested to state his understanding of the situation. He spent some time going over the complete history of the problem of Japan's relations with China, beginning with the statement Prime Minister Yoshida had made on May 19, 1951, that the Japanese Government under no circumstances desired signature by the Chinese Communist regime to the peace treaty with Japan and that basically the Japanese Government wishes to make peace with the Chinese Nationalist Government on Formosa.

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[1] The source text, which is dated Jan. 18, does not indicate when or where this conversation took place, but according to Acheson's book, *Present at the Creation*, p. 604, the meeting took place Jan. 10.

[2] Part I is printed *supra*; Part III is Document 355.

[3] See Document 329.

Mr. Dulles pointed out that in all his actions he had been motivated by the desire to keep US-UK policy as close together as possible and at the same time bring about an early ratification of the Japanese peace treaty by the United States Senate. He emphasized that he had resisted attempts by members of the Senate to take the stand that Japan should at once conclude a peace treaty with Nationalist China and was hopeful that the action he had taken and which he would explain would result in the Senate's early ratification of the treaty without attaching reservations concerning the necessity of Japan's concluding a treaty with Nationalist China. Mr. Dulles had consistently borne in mind the agreement with the former Labor Government that Japan should have free choice as to what was in its best interests, that nothing should be done which would compel Japan to make a treaty with Nationalist China which would recognize Nationalist China as at present able to speak for all of Mainland China, and that any treaty which might be negotiated between Japan and Nationalist China should not be finally consummated until after the coming into force of the multilateral treaty of peace. He added that at no time had it been his understanding of the Dulles-Morrison agreement [4] that it would prevent Japan from taking action which it deemed in its own interest, and he pointed out how the facts of United States-Japan relationships were such that it was unthinkable, for the next several years at least, that Japan would pursue a policy in the Far East which was counter to that of the United States.

Mr. Dulles referred to the fact that he had now received a direct communication from Mr. Yoshida, stating the intentions of the Japanese Government, and that it would probably be necessary to make this known during the course of the Senate's consideration of the peace treaty with Japan. [5] Mr. Dulles concluded by stating that in his opinion the action which the United States had taken was the absolute minimum necessary to achieve the desired results in the United States Senate and at the same time retain the spirit and in fact the letter of the Dulles-Morrison agreement. He expressed the hope that the United Kingdom would be able to go along with this contemplated action.

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[4] For documentation on the Dulles-Morrison agreement, made in June 1951, relating to Japan's future relations with China, see *Foreign Relations*, 1951, vol. VI, Part 1, pp. 1039 ff.

[5] For the text of Prime Minister Yoshida's letter to Dulles, Dec. 24, 1951, see Acheson, *Present at the Creation*, p. 759.

Mr. Eden expressed appreciation for the detailed account given by Mr. Dulles and said that he fully appreciated the factors which influenced United States wishes in this matter. He could only repeat what he had said before, namely that his Government would have much preferred that any expression of intention by the Japanese with respect to their future action could have been withheld until after the actual coming into force of the treaty of peace, but that if, for what seemed to the United States good and sufficient reason, this was not possible, he did not believe that his Government would wish to make any great issue over the matter. He reiterated the well known UK view that nothing should be done which would give the Japanese opportunity in the future to say that whatever action they might take toward China was forced upon them and not the result of their own free will. In this connection Mr. Dulles pointed out that final action by Japan, including ratification of any treaty or agreement with Nationalist China by the Japanese Diet, would not take place until after the multilateral peace treaty had become operative, and hence would be the free and voluntary act of the Japanese people.

Secretary Acheson said that he wished to supplement Mr. Dulles' remarks by pointing out that the Japanese would have great difficulty in working out with the Government on Formosa the type of limited agreement contemplated, and that the Chinese Nationalists had certain strong cards in their hands. They might well induce certain of their friends in the Senate to advocate a postponement of ratification proceedings until the Senate could have an opportunity to study in detail any proposed agreement between Japan and Formosa to see whether or not it met all Chinese desires. This would be bad enough, but there was a second course of action which might be even more distressing, namely that the Senate would attach to the ratification a reservation to the effect that the treaty would not become operative until Japan had concluded an agreement with Formosa. This not only would be bad for the United States, but would confront all the other signatories to the treaty with a very difficult problem. The Secretary then went on to say that it was most desirable to have Sir Esler Dening, British Ambassador in Japan, informed of the results of our talk so that if he were approached by the Japanese he could make clear that if they desired to go ahead with beginning negotiations with the Chinese Nationalist Government they would not incur the displeasure of the British Government. Mr. Eden thought this raised rather difficult problems and might seem to necessitate his Government's completely reversing its previous stand and that this would be most embarrassing. Considerable discussion then took place among those present over possible wording of a message to Dening which would not do violence to the previous British position and yet would indicate to the Japanese that if they took action which they desired to do in their own interest the British Government would interpose no objection. It was finally left that the British side would endeavor to draft an appropriate instruction to Dening and would consult later with the United States side on this matter.

In conclusion, Mr. Eden agreed on the fundamental necessity of Japan's foreign policy being in harmony with that of the United States, and he suggested that such differences as exist between the United States and the United Kingdom relate primarily to the matter of timing of Japan's announcement regarding its policy. Mr. Eden stated specifically that this was not in his mind a major issue and that it should not cause any real difficulty either between the United States and the United Kingdom or the United Kingdom and Japan.

No. 352

Conference files, lot 59 D 95, CF 100

Memorandum by the Deputy Administrator for International Materials Activities (Ticoulat) of a Meeting on Raw Materials, Washington, January 9, 1952 [1]

CONFIDENTIAL

TCT CONV-8—Part III [2]

Present:

U.S.	U.K.
Mr. McNaron, MSA	Mr. Cargill
Mr. Johnson, DPA	Mr. Senior
Mr. Woodward, DPA	Mr. Wheeler
Mr. Taggart, DPA	Mr. R. C. Smith
Mr. Ticoulat, DPA	

The purpose of the meeting was to reconcile present U.K. stated requirements of 900,000 long tons with previous figures determined by ECA of 705,000 tons based upon information previously given. The 705,000 tons previously arrived at by ECA anticipated that the U.K. would be able to obtain some supplies from other sources and this, together with the fact that we had been thinking in terms of short tons, explains the difference in our figures.

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[1] Drafted on Jan. 22. The source text does not indicate the place or the time at which this conversation was held, nor does a two-page memorandum of the conversation prepared by the British, which was attached to it.

[2] For Parts I and II, see Documents 335 and 342.

It was agreed that fourth quarter obligations and allocations shall be considered to have been completed. It was understood by the U.K. that there was no possibility of supplying them with any structural or plate. The 900,000 long ton deficit (1,008,000 short tons) assumed fulfillment of our obligation of 46,500 short tons of ingots, 25,000 short tons of sheet, and 28,500 short tons of scrap allocated for the first quarter.

It was agreed that any scrap, ingots, or steel shipped in the first quarter in excess of the above-stated allocation will be considered as fulfilling a part of our yearly obligation.

It was also agreed that the 20,000 tons of Austrian pig iron which is being delivered in the first quarter is to be deducted from our obligation, and that the 10,000 tons of carbon steel and 5,000 tons of alloy steel which U.K. representatives stated had already been made on their order would be deducted from our over-all obligation if we were able to issue tickets enabling them to get delivery.

It was agreed by U.K. representatives that any additional Austrian pig iron or German scrap that we could deliver during the first quarter would be deducted from our third and fourth quarter obligations.

We informed the U.K. representatives that we would endeavor to divert to them during the second quarter, or sooner if possible, 50,000 tons of Austrian pig iron and that we would confirm whether or not this was possible. In addition, we would allocate to them for the second quarter 150,000 tons of ingots or semi with the understanding that we could not give them any assurance that they would be able to get the semi. We would also allocate to them 50,000 tons of sheet. The unshipped portion of our total obligation would be delivered in approximately equal quantities in the third and fourth quarters.

At their request we promised to review our alloy steel situation and to advise them by next Monday, January 14, whether they could order a small amount of alloy steel against their allocation.

G. J. TICOULAT

No. 353

Conference files, lot 59 D 95, CF 100

Communiqué Issued by President Truman and Prime Minister Churchill

WASHINGTON, January 9, 1952.

The President and the Prime Minister held four meetings at the White House on January 7 and 8, 1952. The Prime Minister was accompanied by the Foreign Secretary, Mr. Anthony Eden, by the Secretary of State for Commonwealth Relations, Lord Ismay, and by the Paymaster-General, Lord Cherwell. The President's advisers included the Secretaries of State, Treasury, Defense, Mr. Charles E. Wilson, and Mr. W. Averell Harriman. The visit of Mr. Churchill and his colleagues also afforded opportunities for a number of informal meetings.

At the end of the talks the President and the Prime Minister issued the following announcement:

During the last two days we have been able to talk over, on an intimate and personal basis, the problems of this critical time. Our discussions have been conducted in mutual friendship, respect and confidence. Each of our Governments has thereby gained a better understanding of the thoughts and aims of the other.

The free countries of the world are resolved to unite their strength and purpose to ensure peace and security. We affirm the determination of our Governments and peoples to further this resolve, in accordance with the purposes and principles of the United Nations Charter. The strong ties which unite our two countries are a massive contribution to the building of the strength of the free world.

Under arrangements made for the common defense, the United States has the use of certain bases in the United Kingdom. We reaffirm the understanding that the use of these bases in an emergency would be a matter for joint decision by His Majesty's Government and the United States Government in the light of the circumstances prevailing at the time.

We share the hope and the determination that war, with all its modern weapons, shall not again be visited on mankind. We will remain in close consultation on the developments which might increase danger to the maintenance of world peace.

We do not believe that war is inevitable. This is the basis of our policies. We are willing at any time to explore all reasonable means of resolving the issues which now threaten the peace of the world.

The United States Government is in full accord with the views expressed in the joint statement issued in Paris on December 18, 1951, at the conclusion of the Anglo-French discussions. Our two Governments will continue to give their full support to the efforts now being made to establish a European Defense Community, and will lend all assistance in their power in bringing it to fruition. We believe that this is the best means of bringing a democratic Germany as a full and equal partner into a purely defensive organization for European security. The defense of the free world will be strengthened and solidified by the creation of a European Defense Community as an element in a constantly developing Atlantic Community.

Our Governments are resolved to promote the stability, peaceful development, and prosperity of the countries of the Middle East. We have found a complete identity of aims between us in this part of the world, and the two Secretaries of State will continue to work out together agreed policies to give effect to this aim. We think it essential for the furtherance of our common purposes that an Allied Middle East Command should be set up as soon as possible.

As regards Egypt, we are confident that the Four Power approach offers the best prospect of relieving the present tension.

We both hope that the initiative taken by the International Bank for Reconstruction and Development will lead to a solution of the Iranian oil problem acceptable to all the interests concerned.

We have discussed the many grave problems affecting our two countries in the Far East. A broad harmony of view has emerged from these discussions; for we recognize that the overriding need to counter the Communist threat in that area transcends such divergencies as there are in our policies toward China. We will continue to give full support for United Nations measures against aggression in Korea until peace and security are restored there. We are glad that the Chiefs of Staff of the United States, the United Kingdom, and France will be meeting in the next few days to consider specific measures to strengthen the security of Southeast Asia.

We have considered how our two countries could best help one another in the supply of scarce materials important to their defense programs and their economic stability. The need of the United Kingdom for additional supplies of steel from the United States, and the need of the United States for supplies of other materials, including aluminum and tin, were examined. Good progress was made. The discussions will be continued and we hope that agreement may be announced shortly.

We have reviewed the question of standardization of rifles and ammunition in the North Atlantic Treaty Organization. Neither country thinks it wise at this critical time to take the momentous step of changing its rifle. In the interest of economy, both in time and money, we have agreed that the United States and the United Kingdom will continue to rely upon rifles and ammunition now in stock and currently being produced. In the interest however of eventual standardization, we have also agreed that both countries will produce their new rifles and ammunition only on an experimental scale while a common effort is made to devise a rifle and ammunition suitable for future standardization

The question of the Atlantic Command is still under discussion.

Throughout our talks we have been impressed by the need to strengthen the North Atlantic Treaty Organization by every means within our power and in full accord with our fellow members. We are resolved to build an Atlantic Community, not only for immediate defense, but for enduring progress.

No. 354

Conference files, lot 59 D 95, CF 100

Memorandum by the Deputy Director of the Office of Western European Affairs (Williamson) of a Meeting of Secretary of State Acheson and Foreign Secretary Eden at the Department of State, January 10, 1952, 4:30 p. m.[1]

TOP SECRET

TCT CONV-5

Present:

U.S.	U.K.
Secretary Acheson	Secretary Eden
Ambassador Gifford	Ambassador Franks
Mr. Matthews	Mr. Shuckburgh
Mr. Perkins	Mr. Burrows
Mr. Williamson	

I opened the discussion of the Austrian Treaty by recalling our previous conversations in Paris and Rome and called Mr. Eden's attention to the report of the British, French and U.S. High Commissioners in Vienna which had been prepared at our request.[2]

I stated that there were problems of both procedure and substance involved in the forthcoming meeting of the Deputies[3] and that we should be guided by the recommendations of the High Commissioners concerning the tactics in dealing with the Soviet Union. In terms of procedure the chief problem was contained in paragraph two of the High Commissioners' report concerning the acceptance of the Soviet versions of the unagreed Articles in order to obtain the conclusion of the present draft treaty. I pointed out that the High Commissioners had recommended acceptance of the Soviet position only "as a last resort" to achieve conclusion of the treaty during the forthcoming meetings. The issue presented in this recommendation is clear; namely, should we make further concessions to the Russians to obtain the conclusion of the Treaty? I stated that I considered this to be a dangerous move in our negotiations because we did not have any assurance that the Soviets would conclude the Treaty even on their own terms. If such an offer were made and the Russians continued to block the conclusion of the Treaty by raising extraneous issues, the Western Powers would have given up their position on these articles without obtaining any tangible results. In subsequent negotiations, therefore, we would be forced to start by accepting the Soviet terms of these articles as the basis for discussions. I stated that we felt that such action would make it difficult to introduce at any time in the future a new basis of discussion, such as the abbreviated Treaty.[4] It would also be difficult to answer public criticism that we had given away a great deal without getting anything in return. The second procedural question involved the problem of withdrawal of the old draft Treaty as the basis of discussion if the abbreviated Treaty is presented to the Soviets. I called the attention of Mr. Eden to paragraphs 13 and 14 of the report of the High Commissioners and said that we should accept this recommendation.

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[1] Drafted on Jan. 14.

[2] For documentation on the tripartite High Commissioners report on the Austrian Treaty, see *Foreign Relations*, 1951, vol. IV, Part 2, pp. 1176 ff.

[3] For documentation on the resumption of the meetings of the Austrian Deputies of the United States, the United Kingdom, France, and the Soviet Union, see vol. VII, Part 2, pp. 1717 ff.

In terms of substance a real problem would be presented if the Soviets indicated a willingness to accept the present draft Treaty and negotiate the unagreed articles. I stated that the United States would find itself in a difficult situation in so far as ratification is concerned since the present draft placed on Austria a heavy obligation to the Soviet Union. If the Senate refused to ratify the Treaty, the Austrians would then blame the United States for their failure to obtain their independence as they now blame the Soviet Union. In 1949 there would have been no difficulties in obtaining ratification if the Treaty had been concluded at that time. The situation at the present time, however, is different. The chief problem which would face the administration would be in justifying the settlement on German assets, particularly the lump sum payment which the

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[4] For documentation on the abbreviated draft Austrian Treaty, see *Foreign Relations*, 1951, vol. IV, Part 2, pp. 1123 ff.

Austrians would be required to pay to the Soviet Union. This payment could not be made without direct assistance by the U.S. Government. The administration would find it extremely difficult to justify the payment of this sum to the Soviet Union. I emphasized, however, that if the Treaty is concluded the administration would make every effort to obtain its ratification, stressing that no matter how bad the agreement might appear, it had succeeded in obtaining the withdrawal of Soviet troops from Austria. I added that as a personal view, the present Treaty could be accepted as the price of obtaining the rollback of Soviet military forces in Europe. However, I did not believe that there was any possibility of obtaining any settlement at this time since the Russians have obviously made the conclusion of the Treaty a part of a general European settlement. In any event, the Austrian Treaty would not be concluded pending some settlement of the German question. I expressed the hope, therefore, that Mr. Eden would recognize our position and would agree that we should not make a direct offer to the Soviets to accept their terms for the unagreed Articles. I stated that we should follow the recommendations of the High Commissioners, that we would "go a long way" to meet the Soviet position, in the hope of obtaining from the Soviet Deputy a statement that he was not prepared to conclude the present draft Treaty at this time. At that point we could proceed to establish a new basis for continued negotiations for an Austrian settlement.

Mr. Eden replied that he understood our position and that he agreed with it. He felt, however, that if we could present to the world the statement that the Soviets would not conclude the Treaty even on their own terms, we would gain definite propaganda advantage. Mr. Eden stated that he still did not understand what the Western Deputies were supposed to say about the old Treaty and he felt that the situation would be somewhat "blurred". I replied that it might be well to keep it blurred.

I stated that our objective should be to get the Soviet Deputy to refuse to discuss the present draft even on Soviet terms rather than to start the negotiations by making a direct offer to accept the Soviet terms. I felt that this could be achieved by the negotiating skill of our Deputies. Since it is quite likely that the Soviet Deputy will raise extraneous issues and will refuse to discuss the present draft, we could then proceed with our plan to introduce a new basis for discussion. After this new basis has been proposed it would be up to the Soviet Government to revive the old draft Treaty if they wished to make it a basis for an Austrian settlement.

Mr. Eden agreed with these views.

No. 355

Conference files, lot 59 D 95, CF 100

Memorandum by the Assistant Secretary of State for European Affairs (Perkins) of a Meeting of Secretary of State Acheson and Foreign Secretary Eden at the Department of State, January 10, 1952 [1]

SECRET

TCT CONV-4—Part III [2]

Present:

U.S.	U.K.
Secretary Acheson	Secretary Eden
Mr. Matthews	Lord Ismay
Mr. Perkins	Sir Roger Makins
	Sir Oliver Franks

Consultation with the Commonwealth

The question of consultation with the Commonwealth was brought up and briefly discussed.

Mr. Acheson explained that difficulty arose when the Commonwealth learned about some matter being discussed by the US and UK through the UK alone without hearing anything about it from the US. They felt that as sovereign nations they should be treated as such and should not be informed of our ideas through the UK. This did not make them mad at the UK but did make them mad at the US. It was pointed out that it was very important that the UK should inform the US when it felt that a matter being discussed between them was of such a nature that it had to be communicated to the Dominions so that the US could also get in touch with the Dominions at the same time. It was agreed that this was important and that the UK would inform the US when they felt that a matter needed to be transmitted to the Dominions.

There was some indication that perhaps this should be canvassed before all matters were discussed as there might be, in certain instances, subjects which the US wished to keep purely on a bilateral basis. If, in these cases, the UK felt it had to inform the Dominions, then the US should know this before the discussions started as it might affect the US willingness to hold the discussions. The British agreed if the US raised this point they would give us an answer.

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[1] Drafted on Jan. 22. Presumably this conversation took place at the same meeting as the conversation on the Austrian Treaty described in TCT CONV-5, *supra*.

[2] For Parts I and II, see Documents 350 and 351.

No. 356

Editorial Note

Following the fourth formal meeting with President Truman, Prime Minister Churchill went to New York, January 9-11, and then to Ottawa for discussions with the Canadians, January 12-15. A report on the talks in Canada is in telegram 114, *infra*. The Prime Minister then returned to Washington, January 16-18, to address a joint session of Congress on January 17 and for a final meeting with President Truman, January 18. For a record of this final meeting, see Document 359.

Foreign Secretary Eden remained in Washington until January 10 before leaving for New York where he made an address at Columbia University the next day. Eden stayed in New York 4 more days before flying back to the United Kingdom on January 15.

No. 357

641.42/1-1452: Telegram

The Ambassador in Canada (Woodward) to the Department of State

SECRET PRIORITY OTTAWA, January 14, 1952—7 p. m.

114. Summary arranged by topics UK-Canadian discussions various levels given Bliss by Heeney fullest possible through Monday [1] nothing more expected.

1. Brit unanimous unreserved expressions satisfaction Wash talks. [2] Churchill particularly pleased make acquaintance President and liked him. This also his first personal contact St. Laurent.

2. Raw materials position discussed in terms steel, tin, aluminum as in Wash and Canadians readily agreed. No discussion copper or nickel which Canadians believed can best be handled IMC. TCC not discussed.

3. Churchill expressed satisfaction and concurrence with US views FE and stated UK cld support US attitude all respects. Eden qualified somewhat expressing view Japan should not be pressed recognize China or make agreement with Chiang before treaty ratified. Eden also felt difficult to draw in Japanese relations with

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[1] Jan. 14.

[2] On Jan. 14 Perkins and Raynor discussed Churchill's visit to Ottawa with Ambassador Wrong who stated that he also had received the definite impression that the Prime Minister was "extremely pleased with his reception in Washington and the results of his visit in Washington." (Memorandum of conversation, Jan. 14; 741.13/1-1452)

Chiang but accepts US view including Dulles point regarding assurance to Senate that Japan will recognize Chiang after ratification and is not disposed to care provided such action follows ratification.

4. Little on ME but Churchill quoted as recognizing US paramount interest FE and hoping US will recognize special burdens UK in Middle East. Oratorical flight re regiment US marines at Suez and indicated practical possibility US cruiser to assist with Canadian traffic problems.

5. Churchill obsessed with SACLANT problem arguing mainly on basis principles strategy in terms of (a) killing submarines, (b) reception convoys at other side. Maintained UK understands reception problem better having handled it for generations. Expressed himself not interested in existing agreement maintaining question is matter Brit life blood as against US and Canadian inconvenience. Promised to return to charge in Wash and asked for Canadian support. Canadian Naval Chief and Joint Chiefs believe in unified command for technical military reasons and support US view particularly under war conditions. Churchill's Atlantic admiral idea does not appeal. However Pearson and other Canadian political leaders believe Churchill may have compromise to propose and expressed hope that we cld accept or find one ourselves to give Churchill his desire for political and sentimental reasons. They feel political benefit might offset technical loss.

6. Policy toward Russia discussed general terms along familiar lines. Churchill referred to great and continuing problem but estimated five to four against war in 1952. Expressed belief cold war shld concentrate on Soviet regime rather than on Russia also that war will not break out as result of incident but by deliberate calculation.

7. In discussions relation UK to Eur community Canadians expressed concern that UK give maximum support to Eur integration. Like US they do not expect UK to participate EDF and Churchill orated on subject Brit troops in neutral uniforms defending area six. Canadians want UK to encourage Eur to unite in the Atlantic community and expressed satisfaction UK undertaking to use influence with Benelux.

8. UK econ position described in much same terms as in Wash. Canadians noted no suggestion econ aid for UK and regarded this as wise.

9. Apparently Korea not discussed in detail but UK expressed agreement with US on declaration after possible armistice.

10. Little on latest Vishinsky move [3] but Churchill hopes that it will not be regarded as proposal which we wld be compelled to accept.

11. Subject discussed at greatest length between FonMins and officials was reform of NATO. UK expressed general agreement with US proposals which Canada regards as particularly important. However, Canada does not believe that reform can be completed at Lisbon [4] although possibly four decisions might be made at that time:

a. Concentration of one place on argument that it is important establish NATO in position dominate EDC and avoid danger of divergence from Atlantic community plus practical considerations plus added confidence to continent. Canadian preference for Paris not popular with UK but UK had no arguments except their own prestige and convenience. Canada will not take lead but go along with US-UK-Fr decision.

b. Secy General and possibly who might fill position. UK presented paper already left with US. [5] UK divergencies not strong and Canada agrees with US views.

c. Council to be in permanent session at seat of organization which Canadians regard as important.

d. Future of FEB and DPB and agreement to abolish to be worked out by deputies.

12. UK brought up question of relationship between military and civilian organizations maintaining US and Canada too much concerned with civilian side. If SG kept in Wash more effective link with NATO civilian group required. Possibilities include strengthening SG with civilian staff to point up politico-econ problems and avoid unreal military program but this raises question of divided civilian responsibilities as between NATO and SG. Another possibility stronger military group attached to NATO representing SG. In effect if either course followed we wld be applying TCC techniques to NATO by coordinating military with politico-econ aspects. Pearson feels TCC *ad hoc* operation shld not be repeated but that provision be made for same result through normal NATO operations.

WOODWARD

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[3] The proposal under reference here has not been identified further.

[4] For documentation on the Ninth Session of the North Atlantic Council, held at Lisbon Feb. 20-25, 1952, see vol. v, Part 1, pp. 107 ff.

[5] Presumably this is the same paper referred to in footnote 6, Document 333, which has not been identified further.

No. 358

Editorial Note

According to Secretary Acheson (*Present at the Creation*, page 601), during the morning of January 18 the military representatives of the British Delegation visited the Pentagon where Secretary Lovett briefed them on atomic armaments and provided lunch. At this morning session the military also drafted a joint communiqué in effect ratifying earlier NATO decisions with respect to SACLANT. No other record of this session at the Pentagon has been found; however, Acheson states further that Prime Minister Churchill read the draft communiqué in the President's anteroom, "tore it up and tossed the pieces into the air", and then entered the Cabinet Room for the meeting described *infra*.

No. 359

Conference files, lot 59 D 95, CF 100

United States Delegation Minutes of the Meeting of President Truman and Prime Minister Churchill, The White House, January 18, 1952, 3 p. m. [1]

TOP SECRET

The President and the Prime Minister came into the Cabinet Room at 3:10 p. m. On the United States side there were, in addition to the President:

Dean Acheson, Secretary of State
Robert A. Lovett, Secretary of Defense
Admiral Fechteler
Walter Gifford, Ambassador to the United Kingdom
Joseph Short, Press Secretary
Charles Murphy, Special Counsel to the President
David D. Lloyd, Administrative Assistant to the President

On the British side there were, in addition to the Prime Minister:

Sir William Elliot, Air Marshal
Sir Roderick McGrigor, First Sea Lord
Sir Oliver Franks, Ambassador to the United States
Sir Roger Makins
Paul Gore-Booth
Lord Cherwell

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[1] The minutes were dictated by Lloyd. For Secretary Acheson's brief but colorful recollection of this meeting, see Acheson, *Present at the Creation*, pp. 601-603.

Sir Norman Brook, Secretary to the Cabinet
Mr. Colville

The President opened the meeting by saying that it was regrettable but all good things must come to an end and that included, he supposed, the Prime Minister's visit. But we would be sorry to see him leave. The President invited the Prime Minister to bring up whatever else was on his mind.

The Prime Minister said that it has been a pleasant visit for him and that he believed it had had a good effect in placing our common problems in perspective.

The President complimented the Prime Minister on his speech before the Congress. [2]

The Prime Minister thanked the President and said that he had avoided the thorny thickets that might have been gone into.

The President agreed.

The Prime Minister said that on the Naval question that there was still no agreement.

The President said that he was very sorry about this, and that he had hoped that we would be able to reach agreement on this important question.

The Prime Minister said that Secretary Lovett had stated that it was only NATO that could agree to modification of the commitment to set up the Atlantic Command.

The President said this was right.

The Prime Minister said that he hoped he would not have to take the question to NATO. He said that would involve us in an open dispute; there would be lobbying on both sides among the other nations of NATO to secure adherence to our respective points of view. This would weaken, he said, the unity of our two nations and create an unpleasant situation.

The Prime Minister went on to say that a statement had been drafted on the subject of the Naval Command but that he could not agree to that. [3] He was, he said, publicly committed to another position and this was of major political importance in his own country. He said that just before this meeting, he had drafted a little statement of his own which he thought expressed his views on this subject. He then read a brief one paragraph statement to the following effect: His Majesty's Government was unable to obtain the agreement of the United States to any release from the commitment made by the predecessor Government of the United Kingdom to NATO to establish the Atlantic Command. However, there had been discussions and agreement with respect to greater flexibility in the Eastern area of command and with respect to the jurisdiction of the British Navy over the area out to the 100 fathom line around the British Isles.

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[2] For the text of Prime Minister Churchill's address to a joint session of Congress on Jan. 17, see Department of State *Bulletin*, Jan. 28, 1952, pp. 116–120.

[3] The statement under reference here is that which Churchill tore up before entering the meeting; see the editorial note, *supra*.

The Prime Minister wondered whether this draft statement could be considered as the basis of a statement to be issued at the meeting.

The President said that he was sincerely sorry that no agreement had been reached. He felt that it was regrettable. He asked Secretary Lovett to comment.

Secretary Lovett said that we had long discussions with the British on this subject—in the nature of family talks, and we still remained of different opinions. The Prime Minister had not agreed to the statement which had been drafted at the end of the discussions and the question now was whether we could agree to the language which the Prime Minister had drafted and just now read to the meeting.

The Prime Minister said that he had written the statement just a minute ago and that it could probably be improved.

Sir Oliver Franks gave the Prime Minister's draft to the President who read it and passed it to Secretary Acheson and Secretary Lovett.

While they were studying the Prime Minister's draft, the Prime Minister came around the table and laid before the President a copy of a cable just received from England having to do with the Egyptian situation. The cablegram urged that no statement be issued with respect to the Egyptian situation without further consultation between the two Governments of the United States and the United Kingdom.

The President assured the Prime Minister that we would make no statement on that subject without further conversations.

Secretary Acheson added that he had just declined to see the Egyptian Ambassador this afternoon.

The Prime Minister intimated that the Egyptian problem was related to Korea. He said the British had only token forces in Korea. They wanted to help all they could in Korea but that their troops were fully occupied—presumably in Egypt. He said it was of great importance that we should keep together in our policy in the Middle East.

While Secretary Lovett and Secretary Acheson continued to study the Prime Minister's draft, the Prime Minister raised another subject. He referred to the possibility of a conference with Russia. He said he did not think that the Russians wanted such a conference and he believed that if it ever were held, it would take the form of a showdown. The result might be favorable, since the President would come to the conference with all the power of his country behind him, and that might induce the Russians to be reasonable. On the other hand, one could not be sure of this, and the Russians might not be reasonable. He did not think we should assume that in this event the conference should result in immediate war. . . .

The President said that he was in favor of anything that would prevent war. . . . He referred to our broadcasting activities with respect to the Soviet Union which he said were equivalent to or exceeded the output of our broadcasting networks in this country. . . . With respect to a conference with Russia, the President said he did not believe the Russians wanted one. He said that his attitude had always been that he would participate in a bona fide conference. He would not go to Russia. He would see the Russians if they would come to Washington.

The Prime Minister said that in this matter he would not do anything to force the President's hand or to make things more difficult for the President.

The President said he did not think that we should try to bring about a conference that would be a showdown. At the present time, he did not believe that a conference would be useful. In such a conference, the Russians would probably follow the line they are now taking in Paris. He did not think that they were in a conciliatory mood, especially since Vishinsky had just called our principal General in Korea, General Van Fleet, a cannibal.

The Prime Minister wondered how Secretary Lovett and Secretary Acheson were getting along with the statement.

Secretary Acheson said, with reference to the Prime Minister's draft statement, that he had two difficulties with it. In the first place, as drafted, the statement emphasizes disagreement between the United Kingdom and the United States with regard to the Atlantic Command. In the second place, the statement was inconclusive. It raised questions as to what the next step would be. Secretary Acheson was sure that if the statement were issued in this form, we would be asked what the next step would be and he wondered what the Prime Minister had in mind on that point.

Furthermore, Secretary Acheson wondered whether this was designed to be a joint statement or not.

The Prime Minister said that it would be much better, of course, if a joint statement could be issued.

With regard to what the next step would be, he said it was not his intention to stop the planning of the Atlantic Command. The planning could go on.

The Prime Minister said that he had to make a statement on this subject. He could not stay in public life if he did not.

The President said that he wished that agreement could be reached on the statement.

The Prime Minister went on to say that he would not have entered into the agreement made by the Labor Government on this subject. He said that he could not have assented to it.

He said that the agreement to have an Atlantic Command had been worked out at a low staff level. It had not been considered at the proper governmental level before it was entered into by the predecessor government in England. He said he had discussed the matter with the Canadians on his recent visit to Canada.[4] The Canadians felt that they were bound by the agreement made by the earlier government but they hoped, nevertheless, that the British could work out a better arrangement. He said the Canadians had emphasized that the Atlantic Command proposal was not a Canadian proposal. It had been said that they initiated it but this was not true. Furthermore, the agreement had not been taken up at the proper level but had been entered into by military officers at a low level.

Secretary Acheson asked the Prime Minister whether, if his draft were agreed to, he would want SACLANT to go forward.

The Prime Minister said that he did want the planning of SACLANT to go forward. He did not wish to bring the matter up before NATO. For one thing, he said, the United States had a better lobby in NATO than the British.

Secretary Acheson said that he thought he could propose a statement to which the Prime Minister could agree. Such a statement would begin with the fact that the Prime Minister and the President and their advisers have had discussions about the Atlantic Command. It would then make the point that both the President and the Prime Minister had agreed to recommend to NATO certain changes in the original plan, namely, an extension of British control to the 100 fathom line and greater flexibility in the eastern area of the Command.

Such a statement, said Secretary Acheson, might then continue to say that these agreed on changes were not enough to satisfy the Prime Minister; that there would be further discussions on the matter but that the Command, and the setting up of the Command, would go forward.

The Prime Minister said that he would like to see something like this drafted.

The President agreed.

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[4] Regarding Prime Minister Churchill's visit to Ottawa, see Document 357.

The President told Secretary Acheson and Secretary Lovett to work on the matter in his office.

The Prime Minister designated Sir Norman Brook and Sir Oliver Franks.

At this moment Secretary Acheson, Secretary Lovett and Admiral Fechteler left the room together with Sir Oliver Franks, Sir Norman Brook, Air Marshal Elliot and Admiral McGrigor. These gentlemen convened in the President's office and Secretary Acheson set out to dictate a statement along the lines he had proposed.

This drafting session began about 3:45 P. M.

The President then brought into the Cabinet Room a number of large color photographs of the Potsdam Conference showing all the principals and advisers seated around a table.

The Prime Minister autographed these pictures at the request of the President. He complained that the picture showed only the back of his head.

The President said that he would send to the Prime Minister some other pictures showing more of the features of the Prime Minister.

The Prime Minister thought it was a shame just to show his bald spot but he said he was indifferent as to whether the other pictures showed him in full face or in profile.

After this incident, and while the drafting group was in the President's office, the President and the Prime Minister had a friendly and informal off-the-record talk.

These notes will set forth the main features of this off-the-record talk, but only for the President's use. They will not be furnished to the Departments except with the President's approval.

The President began by saying that he had gone to Potsdam and he knew that the Prime Minister had gone to Potsdam with the kindest feelings in the world toward the Soviet Union and with a sincere desire to reach agreement. He said the first warning of the Russian attitude had come when an Allied General had come in from Romania and described what the Russians were doing in that country.

The President then referred to the action of Tito threatening Trieste and the Prime Minister recalled that the President had been "very stiff" with Tito about that.

The President then recalled the ultimatum, as he called it, with respect to Russian troops in Iran. He then continued by saying that the Russians had broken nearly all the agreements made at Potsdam and all those made at Yalta.

The Prime Minister agreed.

The President concluded that while he still wished to reach agreement with the Russians, he was not going to give the world over to them, not so long as he was President.

The Prime Minister expressed approval and said that he would not do anything to force the President's hand or make difficulties for him in dealing with the Russians.

Lord Cherwell said that with respect to the broadcasting activities which the President had referred to earlier, that the people of Russia were sympathetic to us but that they did not have sufficient receiving sets. Lord Cherwell said that he understood that there was a set in each village but that it was under official control and that the people had to listen to the programs that the set was tuned to. He thought that we should consider the possibility of dropping a lot of little receiving sets for private use.

The Prime Minister agreed with these ideas and then referred to the question of air warfare with the Soviet Union. He said that he had been impressed by the plans which had been shown to him this morning by the United States Air Force. He wondered if the Russians were making as careful an analysis of the problem of strategic bombing as we were. He said he hoped the Russians were doing so, since this would impress upon them the gravity of their own situation.

. . . .

At this point, in order to hear better and converse more easily, the Prime Minister moved around to the President's side of the table and occupied the chair next to him.

The President said that it had been very courageous of President Roosevelt to devote resources and funds to the atomic bomb when it was only a gamble. He said that it would cost $2,600,000,000 before the first explosion.

. . . .

The Prime Minister said that he was stressing the production of fighter planes in England. He said that was their principal problem—to have enough fighter planes to protect the base. They had some need for strategic bombing units in the British defense organization but not a great deal.

The President brought up the question of the cost of producing airplanes. He pointed out that a bomber costs twenty times what it used to. He said it was a terrible burden on a country to have to produce this kind of weapon.

The Prime Minister agreed.

Lord Cherwell chimed in to say that in the last war they had figured that a bomber was good for only about fifteen sorties. At present prices, this was an awful lot to pay for fifteen sorties. It was as much as a destroyer.

The President said it was as much as a battleship.

Lord Cherwell commented on the inaccuracy of bombing generally. In 1939, the Royal Air Force said they could bomb very accurately but in practice and under combat conditions, their misses were fantastic.

The President commented on the general inaccuracy of bombing, and the high speed and great cost of modern planes.

The Prime Minister said that he was asking his military people to draw a clear-cut line between improvisability and the lack of improvisability. He was asking them to concentrate on the production of things which could not be improvised or built in a short time. He was asking them to put emphasis on building Centurion tanks and jet fighters.

Lord Cherwell said that he had been having some interesting conversations with the Secretary of the Army and the Secretary of the Navy. The Secretary of the Army said that forty per cent of his procurement was of vehicles.

The Prime Minister said the military always try to have lorries, trucks and cars produced well in advance, when those are the things they could get most readily. He wanted them to concentrate on long-range items.

The President said that the amount of transport required to carry on modern warfare, as in Korea, was fantastic. He said that for every division in line, there had to be a full division of equipment in the pipe line at all times. The stuff was just shot away and wasted as it reached the front. He said the amount of traffic going to the front was fantastic.

The President continued saying that one of the most interesting things about the Korean operations was the fact that all of the sixteen or eighteen nations were getting along so well together. This meant additional problems for the supply line. We had to use different kinds of food for the different national units. Special things for the Mohammadans and plenty of roast beef for the English.

The Prime Minister said that he had never seen any meat eaters like the American Army.

The President said that this defense effort presented an awful problem for the national budget. He said that 77 per cent of the budget was military in nature or had relation to the possibility of war, and that was a real strain on the country.

The Prime Minister said it reminded him of the saying of Cromwell, that sometimes there is a choice between being and well being for a nation. At this time, for England, it was a question of being. They would have to put their effort on that.

The Prime Minister said that in Canada recently, he had been talking to the Canadian Minister of War who had just come back from Korea (Mr. Brook-Claxton ?). This gentleman said that he did not think that the Chinese really wanted to reach a truce now.

The President said that he was afraid that might be the case but we had to go through with the negotiations. He said that the losses of the Chinese have been terrible; that we had killed a million of them and that by million he did not mean just casualties but actual men killed. He said this kind of a loss was a real blow to any nation.

The Prime Minister agreed. He said those forty to one losses which the Chinese suffered were terrible. They had been mowed down and reduced to a rubble or a pulp. However, he thought that the shock of these losses had now worn off. The Chinese have been negotiating for sometime and they were now thinking of themselves as dealing with us as military equals, haggling over points and forgetting the disadvantage they suffer under.

Lord Cherwell added that they apparently were planning to incur similar losses elsewhere.

Referring again to atomic energy, the Prime Minister said that he understood the Canadians were making great progress in the peaceful uses of atomic energy.

The President said we were too. He said the future was full of possibilities. It was just like the days when the Wright brothers had flown their kite down at Kitty Hawk. No one could then have foreseen the future of aviation.

There followed some reminiscences about the early planes with the elevator in front. Lord Cherwell said he had flown in one.

The President said "Hap" Arnold had landed one on the White House lawn in the days of President Taft.

The Prime Minister asked Mr. Colville to find out how much longer the drafting group were going to take.

The President said that he was enjoying the talk and was in no hurry. He said he had had no chance before really to sit down and talk with the Prime Minister.

The Prime Minister agreed, but said that they had had a good talk on the *Williamsburg* and that was a truly memorable evening.[5]

Mr. Colville came back and reported that the drafting group needed about another thirty seconds.

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[5] For records of the dinner on the S.S. *Williamsburg* on Jan. 5, see Documents 329 and 330.

The Prime Minister asked the President if he expected to get any rest soon.

The President explained that he had the Budget Message to send up. This was the last of his big messages. Then he had six or seven special messages to the Congress to prepare. He said he hoped to get down to Florida for two weeks in March.

The Prime Minister thought that would be nice. He inquired whether the President always took the *Williamsburg* to Key West. The President said he did. He added that when Mrs. Truman and Margaret came, they always wanted to take the *Williamsburg* to Cuba. He said that he, as President, could not go to Cuba. If he went anywhere, it always upset the apple cart. He recalled his trip to Brazil and Mexico. [6]

He said it had created great crowds in the cities in those countries. He said that in the summer of 1950, he had been planning to make a trip to Chile to return the visit of the two Chilean Presidents to this country and that he had hoped to go from there in the battleship *Missouri* to Australia and New Zealand—countries which he had always wanted to see.

The Prime Minister was appreciative of this idea.

The President said that he did not suppose that now he could ever make such a trip.

The Prime Minister said that he had never been east of Calcutta—that he had always hoped he could go to the Far East before he died. He said he particularly wanted to see Japan. He said he thought it must be a wonderful country with the mountains and the color and the big volcanos.

The President said he would also like to come to England.

The Prime Minister said, well you must come then.

The Prime Minister added that they were through electioneering in England now, that the people were tired of it. He said it was a great strain when an election could be called at any time. It was like walking under a tree with a jaguar on the limb waiting to pounce. But he thought they were through for a while.

The President said that this was going to be a very political year here. In England elections only take two months, here they take most of the year.

The Prime Minister pointed out the people seem to enjoy the excitement.

The President said he thought they did.

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[6] President Truman visited Mexico City in March 1947, and Rio de Janeiro in September of the same year. For a report on his address to the closing session of the Inter-American Conference at Rio, Sept. 2, see *Foreign Relations*, 1947, vol. VIII, p. 78.

The President said that in the last campaign, he had traveled 31,700 miles. He had estimated that he had talked to seven million people and that he had been seen by seven million more. This was in addition to the radio audiences of twenty-five to thirty million.

The Prime Minister was very much interested in "canvassing" on such a large scale. He said that he had never made a house to house canvass in his constituency. He had stuck to making speeches from the public platform. He asked about the train and the President's schedule during the campaign.

The President went into detail about back platform speeches and the frequent speeches at night meetings.

The Prime Minister was very much impressed.

The President said he had put his staff to bed but he himself had gained five pounds.

The President recalled the Prime Minister's visit at the time of the Fulton College speech, [7] and the way the Prime Minister had taught him how to play poker.

The Prime Minister apologized for his peculiar brand of the game. He said that he thought playing cards was a very good way to get your mind off your problems and to relax, but that it was not as good as painting. He said painting was the best way to get your mind off your troubles, even if you were only painting a jar on a table. He recommended it, if you like painting.

At 4:15 p.m. the drafting group came back into the Cabinet Room and the meeting resumed.

Secretary Acheson read the agreed draft statement (a copy is attached to these minutes).

The Prime Minister said, "I agree."

The President suggested issuing the statement as a joint statement by the President and the Prime Minister from the White House Press Room immediately.

The Prime Minister thought this would be fine since it would reach England in time for the morning papers.

The Prime Minister then said to Admiral Fechteler that he had not met the Atlantic commander. He said that he was not altogether sure who it would be but he had heard Admiral McCormick mentioned.

Admiral Fechteler said that it would be Admiral McCormick and that he would pay his respects to the Prime Minister as soon as he took over the command.

The Prime Minister said that he would be glad to see him and that the admiralty would turn out to greet him with full honors.

After one or two pleasantries, the meeting adjourned at 4:20 p.m.

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[7] Mar. 5, 1946, at Westminster College in Fulton, Missouri.

The President shook hands with all the members of the British delegation there present and wished the Prime Minister bon voyage.

The Prime Minister said goodby to everyone there on the American side and shook their hands.

[Attachment]

Statement Agreed by President Truman and Prime Minister Churchill [8]

WASHINGTON, January 18, 1952.

The President and the Prime Minister with their advisors have had several discussions relating to the arrangements about the Atlantic Command recommended by NATO and accepted by the late Government of the United Kingdom. As a result of their discussions they agreed that His Majesty's Government and the United States Government would recommend to NATO certain alterations in the arrangements designed to extend the United Kingdom home command to the 100 fathom line. They also agreed on the desirability of certain changes which would provide greater flexibility for the control of operations in the Eastern Atlantic. These changes however do not go the full way to meet the Prime Minister's objections to the original arrangements. Nevertheless the Prime Minister, while not withdrawing his objections, expressed his readiness to allow the appointment of a Supreme Commander to go forward in order that a command structure may be created and enabled to proceed with the necessary planning in the Atlantic area. He reserved the right to bring forward modifications for the consideration of NATO, if he so desired, at a later stage.

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[8] Released to the press on Jan. 18.

No. 360

Conference files, lot 59 D 95, CF 100

Communiqué Issued by President Truman and Prime Minister Churchill

WASHINGTON, January 18, 1952.

In their communiqué of January 9, 1952, [1] the President and the Prime Minister announced that they had considered how the

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[1] Document 353.

United States and the United Kingdom could best help each other in the supply of scarce materials and that discussions were continuing.

These discussions have now been completed. Agreements have been reached which, taken together within a framework of mutual assistance, will make it possible for the two countries to carry out more effectively their common task of contributing to the strength and security of the free world. The United States will help the United Kingdom to meet its most serious shortage, steel, and the United Kingdom will help alleviate one of the United States most serious shortages, aluminum, and will also assist the United States in getting supplies of tin.

The United Kingdom requirements of steel for 1952 were reviewed in detail. On the basis of these requirements, and after allowing for supplies of foreign ore to be diverted to the United Kingdom by arrangement between the United Kingdom and the United States steel industry, the United States undertook to make available to the United Kingdom for purchase during 1952 steel (including scrap and pig iron now earmarked for the United States from overseas sources) to a total figure of 1,000,000 long tons. This includes the steel allocated for the first quarter in the previously announced arrangement. About 80 per cent of the amount supplied will be steel, mostly in the form of ingots. This represents less than one per cent of the total United States production. It has been agreed that the United States may vary the proportions between the steel products and the steel making materials to be supplied.

This will be of the greatest assistance to the United Kingdom in meeting its defense and essential civilian needs, and will help the United Kingdom industry to take care of some of the essential needs of other friendly countries for structural steel and plate steel, thereby relieving the pressure on overburdened United States facilities.

In the absence of a change in the present supply situation, it is not anticipated that any of the steel to be furnished to the United Kingdom will be supplied in structural or plate or in shapes that are in serious short supply in the United States. Most of the steel will be supplied in the last half of 1952 when a portion of the United States steel expansion program will have been completed. Deliveries to the United Kingdom will be confined to those items in reasonably free supply.

The steel shipments to Britain will be so arranged as to time and types that no cut will be required in steel allocations already made to United States industry for the first and second quarters of 1952.

United States requirements for aluminum and tin were also reviewed. On the basis of these requirements, the United Kindgom agreed to make available to the United States a total of 55,100,000 pounds of aluminum. This represents an increase, to be spread evenly over the last three quarters of 1952, of 33,060,000 pounds of aluminum over the arrangements made recently with the United States by the United Kingdom. This quantity is equivalent to about 10 per cent of the total United Kingdom annual supply. The United States has agreed that it will replace this aluminum by the middle of 1953. It is expected that much of the United States aluminum expansion program will be in operation by that time.

The United Kingdom has agreed to make available to the United States 20,000 long tons of tin during 1952 at $1.18 per pound, F.O.B. Singapore. Both Governments agreed that it would be desirable if more normal arrangements for the conduct of the tin trade could be established as soon as possible.

These arrangements will enable the United States to more nearly meet its essential tin plate requirements and improve its aluminum allocations to defense and civilian industries.

It was noted that both countries would continue to use their best efforts to expand and accelerate their programs for increasing production of scare materials, both at home and overseas.

The two Governments also reviewed and expressed satisfaction with the progress which has been made through the International Materials Conference toward effecting equitable distribution of key raw materials.

These arrangements should make a valuable contribution to the defense programs of the two countries, and increase their ability to meet the acute shortage in the free world of steel, tin plate, and other strategic materials.

No. 361

Eisenhower Library, Eisenhower papers, "1916-1952"

The Secretary of Defense (Lovett) to the Supreme Allied Commander, Europe (Eisenhower)

TOP SECRET WASHINGTON, January 24, 1952.
PERSONAL AND EYES ONLY

DEAR IKE: Several things happened during Churchill's visit to this country which may be of interest to you either because of the direct position taken or by the implications his comments carried to his listeners.

. . . .

He was received with great warmth publicly and was treated with the most courteous attention.

There is no use ducking the fact that the P.M. accepts NATO in theory but in actuality does not believe in it in a military sense. . . . The only thing that he warmly supported was the necessity for the German divisions and he admitted that the position taken by Germany, France and Italy was a tremendous step forward in a support of the European Defense Force.

When pressed to be of assistance in getting the Benelux group to move more rapidly in support of EDF, the Prime Minister said that they would do what they could but that they could not provide pressure by themselves in joining EDF on the same basis as that proposed for the other Continental members.

There was no doubt whatsoever in anyone's mind that he will loyally and effectively contribute British units. It was clear, however, that he does not accept the EDF principle which the unregenerate old fellow referred to as "a sludgy amalgam".

The SACLANT problem: he asked us to "release him from the obligation of the late government" as he considered the program unworkable and unnecessary down-grading of the British. We pointed out that the proposal for the set-up orginated in August 1949 with the British Chiefs of Staff and then was followed by a similar proposal of the North Atlantic Ocean Planning Group whose report the British Government accepted and which caused his statement in opposition, in I think, December 1950. In addition, we explained that we had no authority to release the British from anything; that we were a member of NATO as they were and he would be within his rights to refuse approval of SACLANT and to make some better suggestion.

His own military staff, as as well as Pug Ismay, were completely against him on his position and it must have been an infuriating, but not altogether new, experience for him. Certain adjustments in the details were readily agreed to but the final step was too much for him to take prior to his visit to Ottawa. While there he talked to the Canadians about it who were good enough to send us a message [1] saying that they were standing firm and they knew he would return to battle and employ "every guile, trick of debate and every emotional plea with his vast repertory". He finally gave way at the last meeting [2] and the matter was, I think, satisfactorily settled.

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[1] Not further identified.

You are familiar from press reports of his plea for a contribution of U.S. troops in the Suez Canal mess. He referred to it as a "token force" and his request was promptly refused. The reaction in Congress to this part of his speech was anything but good and the Press referred to the Four-Power proposal as a logical settlement which the British were inclined to overlook. I think this was unjust as the P.M. actually pressed the Four-Power approach and would obviously welcome it.

Dean, Brad [3] and I discussed the Iranian problem with the P.M. and Eden Sunday evening following his arrival and we told them quite frankly how maladroit we thought their handling had been. [4] The P.M. did not take much part in it, but he was clearly astonished by some of the facts we brought out notably that we had the thing settled except for a ten cent differential during Mosadeq's visit over here and that the British turned it down and fundamentally hoped to throw Mosadeq's government out and thereby get a better deal. Anthony got a little irritated at the beating he took from Dean, but I think that they are both aware for the first time of how gavely we regard the situation and how important it is that this oil and especially aviation gas be denied the Russians.

In general, I have a feeling that a considerable amount of education is going to have to be done to overcome his tendency to live completely in the past and to forget or underestimate the enormous changes which have occurred since the war in the rest of the world.

There is every reason to believe that Britain will live up to her commitments to the defense of Western Europe within the limits of her capacities but it seems to me that what is needed is the fanning of the flame of faith in NATO on the part of the British in general and the Prime Minister in particular.

With kindest regards,

Yours ever,

Bob L [5]

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[2] See Document 359.

[3] Presumably a reference to Gen. Omar N. Bradley, Chairman of the Joint Chiefs of Staff.

[4] For a record of this meeting, see Document 332.

[5] On Jan. 28 General Eisenhower replied that his reactions to the attitude and condition of Churchill were almost identical with Lovett's, but added that the Prime Minister still had appeal to great sections of Europe and that the United States should do its best to have him "booming" on the things which seemed necessary for security and tranquility. (Eisenhower Library, Eisenhower papers, "1916–1952")

B. Continuing Relations With the United Kingdom, January 1952-January 1953; Economic and Financial Assistance to the United Kingdom;[1] the Problem of Consultation With Members of the Commonwealth; Reports on Meetings of the Commonwealth; Prime Minister Churchill's Visit to the United States, January 1953

No. 362

841.10/1-1552: Telegram

The Chargé in the United Kingdom (Penfield) to the Department of State[2]

SECRET PRIORITY LONDON, January 15, 1952—7 p. m.

3097. Pass MSA and Treasury. Re Commonwealth Finance Min conference. Ref: Depcirctel 58, Jan 5 and Embtel 3069, rptd Paris 1424 Jan 11.[3] Fol is report Emb-MSA conversation with reps Brit Treasury, FonOff present.

1. First week official conf resulted in agreed report completed Jan 12 for submission to all Fin Mins (Brit think Ministerial conf likely to be concluded end this week, but Fin Mins probably not depart London immed conclusion conf.

2. Brit emphasized sterling area officials reviewed mutual benefits derived from SA and stated all members shared desire to take all necessary steps continue receive these benefits (clearly accepted by officials that convertibility necessary for effective maintenance sterling area. Brit specifically stated no discussion of subj of building up and maintaining reserves of individual countries.

3. Our mtg with Brit in form of Brit Treasury official outlining contents of agreed report of officials. Report divided into three main headings: Immediate balance of payments problem, long-run problem, communiqué on conclusion of conf.[4]

A. *Immediate balance of payments problem.*

(1) Taking into account effects of measures already taken by SA countries (e.g., UK import cuts and credit controls, Australian Fadden budget, NZ credit controls), agreed report estimates deficit between sterling area and rest of world at pounds 530 million for

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[1] For further documentation on U.S. assistance to the United Kingdom under the Mutual Security Program, and for documentation on the role of the United Kingdom in the efforts to achieve European economic and political integration, see Documents 252 ff. and 1 ff.

[2] Repeated to Paris, Canberra, Colombo, Delhi, Karachi, Ottawa, and Pretoria.

[3] Neither printed; the former asked for information on the Commonwealth Finance Ministers Conference, while the latter transmitted an initial report on the conference based on conversations with a Canadian official. (841.10/1-552 and 1-1152)

[4] For the text of the communiqué issued at the end of the conference, Jan. 21, see *Documents* (R.I.I.A.) for 1952, pp. 59-62.

calendar 1952. Brit emphasized, however, that effect of internal deflationary measures already undertaken cannot be evaluated yet, and rough provision made for effects in estimate may be too small. Sterling area countries recognize problem not as dollar crisis such as in 1949, but as sterling area balance of payments problem vis-à-vis whole of rest of world, although dollar problem remains hard core. Present crisis different from 1949 where even switch from dollar to non-dollar sources wld not solve problem. Agreed report takes position that even allowing for external and internal measures already taken, situation so severe as to be insufficient to ward off disaster if more short-term remedial measures not taken, namely both external (i.e. import cuts) and internal (deflationary measures). Report estimates that if these immed measures not taken (i.e., beyond those already announced) and balance of payments develops at estimated level of pounds 530 SA overall deficit for 1952, by end June 1952 dollar reserves of sterling area wld be little more than pounds 550 million (excluding reserves held by individual SA countries). Description of immed corrective steps.

a. Emergency import cuts about which Brit unable to provide details, either UK or RSA; will be separate programs of cuts for imports from dollar area and imports from rest of non-sterling world; b. internal deflationary measures, whose principal effect viewed as long-term corrective, but expected to yield some benefits in short-run. Psychological reaction to effective immed steps believed important. Objectives of these immed measures to achieve in last half of 1952:

> (a) At least overall balance of sterling area with rest of world; (b) within that, balance with dollar area, including Brit estimate of Amer aid not specified. Brit regard it imperative to have no drain in reserves last half of 1952, assuming considerable decline first half.

(2) Re estimates discussed in preceding para, of pounds 530 million sterling area overall deficit, UK portion of pounds 215 million and RSA pounds 315 million; sterling area deficit with dollar area pounds 267 million, and with rest of world pounds 263 million which also involves large dollar losses, e.g., EPU. No account taken of confidence factor in estimate loss of reserves first half 1952. Estimates assume resumption tin purchases by US and assume no further general adverse price developments. In answer to query Brit stated that if anything the RSA figures provided by RSA countries show worse deficit than earlier UK estimates for RSA as reported in Toeca 1186, rptd Torep 1041, Dec 12. [5]

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[5] Not printed. (ECA telegram files, lot W-130, "London Toeca")

B. *Long-term problem.*

Brit stated there was surprising degree of unanimity among Commonwealth officials re long-term problem and remedial measures required. Agrmt that must press forward with measures toward achieving goal of sterling becoming and remaining convertible, that belief shared by Commonwealth countries that sterling area not likely to last long if they do not go towards and achieve convertibility. Agrmt that main long-term action required is internal deflation. Recognition that the sterling area countries have failed to adjust themselves to econ conditions of postwar world, that countries have adopted policies requiring greater demand on resources than cld be afforded. Brit reported that in conf there was frank and free ventilation of ideas of each country re its own internal measures. Brit stated such open detailed discussion of internal measures contemplated by each country unusual departure for Commonwealth econ conf. When queried re timing of convertibility, Brit stated that shortest possible time was desired but no dates were mentioned at conf. The fol were presented as the necessary conditions for achieving convertibility:

(a) Sound internal situation each country; (b) adequate reserves; (c) finding means to encourage Amer investment. Re sound internal situation Brit stated that they desire a balance in overall payments each country, taking into account long-term investment requirements and rights to draw on sterling balances. Brit indicated that UK hoped internal situation RSA countries wld not require regular yearly drawings, but rather intermittent use as required. Re investment, Brit reported agrmt at conf that in next few years UK did not have resources for much long-term investment in RSA countries. Conf agreed that only country able to provide sufficient long term overseas investment in sterling area is US, and conf agreed to examine carefully measures to encourage Amer investment. Brit mentioned necessity to investigate present deterrents to Amer investment in sterling area such as exchange control, taxation, nationality of ownership. Brit reported officials very impressed with large new dollar capital investment in Canada in recent years offsetting large current account deficit.

C. Brit indicated that conf attached great importance to necessity of communiqué issued upon conclusion of conf instilling confidence in sterling, that necessary remedial measures being under taken both short-term and long-term. Conf agreed that desirable set up machinery for frequent Commonwealth consultation on econ problem.

Request that contents this msg for use only within US Govt. [6]

PENFIELD

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[6] In telegram 3193 from London, Jan. 23, Holmes reported further on the conference, stating that the British were satisfied with its results, that it had been a frank

Continued

No. 363

Editorial Note

Secretary Acheson visited London February 13–19, for talks with the Foreign Ministers of the United Kingdom, France, and the Federal Republic of Germany and to attend, as President Truman's personal representative, the funeral of King George VI on February 17. During his stay in London Acheson held occasional bilateral conversations with Eden on topics of mutual concern. For the records of these conversations, see volume V, Part 1, pages 36 ff.

No. 364

841.00/3-352

Memorandum by the Assistant Secretary of State for European Affairs (Bonbright) to the Secretary of State [1]

SECRET WASHINGTON, March 3, 1952.

Subject: Expediting Transmission of Current Economic Aid Funds to the United Kingdom.

Problem:

To obtain the maximum impact from the $300 million in economic aid to the United Kingdom by ensuring that the full amount is reflected in British reserves as soon as possible.

Background:

The decision to give $300 million in economic aid to the United Kingdom during the fiscal year 1952 was made subject to the following conditions: (a) that the funds would be used only to purchase items directly related to military uses, and (b) that payments would only be made against contracts yet to be signed, with exceptions in specific cases, providing past shipments were not covered. [2]

It was recognized that under these conditions it would not be possible to transfer all of the $300 million by June 30, 1952. Therefore, it was agreed that, as procurement authorizations were issued,

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discussion of each country's financial problems, that more agreement had been reached on long-run problems than at previous conferences, and that working parties had been established to deal with the problems of (1) convertibility and (2) development and foreign investment. (841.10/1-2352)

[1] This memorandum was drafted by Beale.

[2] This decision was taken at a meeting of officials from the Departments of State, Treasury, Defense, and the Mutual Security Agency on Jan. 28, a record of which is in file 741.5 MSP/1-2852.

MSA would establish a corresponding credit in a British account in the Federal Reserve, so that the British might be able to reflect these deposits as dollar assets in their reserve statement. It is now apparent that the type of Federal Reserve account which can be established cannot meet the necessary full requirements for inclusion of the account in the British statement of reserves and therefore the device will not fully serve the purpose for which it was designed.

During the past two months British reserves have continued to decline at an alarming rate. In the opinion of Embassy London, if the drain continues at the current rate, the British economy may be brought to a point where the entire British military effort would be threatened.

It has been estimated that, even under the most favorable conditions, on the present basis of eligibility the actual impact of aid on British reserves before June 30, 1952 will fall significantly short of $160 million. According to Embassy London, therefore, the full $300 million can be reflected in reserves by that date only if (*a*) we allow reimbursement for past shipments which can be fully documented and (*b*) we extend the range of eligible commodities to include some items not directly related to military uses. (See Tomus 177, from London, February 28, 1952, copy attached. [3])

Since the public statements regarding aid to the United Kingdom have specifically indicated that it would be used to finance imports of commodities related to the defense program, it would be very difficult to expand the present basis of eligibility to include other items.

On the other hand, the condition regarding reimbursement of past shipments could be changed by agreement among the agencies concerned, namely, MSA, Defense, Treasury and State. The inclusion of such items would greatly assist in meeting the immediate problem.

Recommendations:

It is recommended that you call Mr. Harriman and make the following points:

(1) That you share the concern expressed by Embassy London over the continuing deterioration in the British reserve position.

(2) That we should change our policy to allow reimbursements for past shipments which can be fully documented, so that our aid can be reflected in British reserves to the maximum extent possible by March 31, and in any event not later than June 30.

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[3] A copy of telegram Tomus 177 was not attached to the source text; however, a copy is in MSA telegram files, lot W–130, "London Tomus".

(3) That, in spite of possible criticism of this policy, we should not risk losing the benefits of aid through extreme caution in administering it.

No. 365

741.5 MSP/3-1152

Prime Minister Churchill to President Truman [1]

SECRET [LONDON,] March 10, 1952.

You will no doubt have seen what has been happening over here and I am sure you will be interested in the Budget. Our defense programme is already somewhat spread out. It is not certain that even with a struggle we shall be able to fulfill it. I quite understand you have your difficulties as well as we. When I was over with you there was much talk of "offshore purchases" which could help the N.A.T.O. front and enable us to fulfill our programme. [2]

It would be possible for me to arrange for Canberra and Venom aircraft of the latest types now being made by us in the United Kingdom to be delivered to the United States and distributed by you to N.A.T.O. wherever Eisenhower thought they could be most useful.

If as I hope, you think these ideas are worth pursuing I suggest that our people should talk to Mr. Batt in London and that Franks should discuss the matter with Averell Harriman.

Thank you for what you said about the little package of meat.

A memo follows. [3]

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[1] This message was delivered to Secretary Acheson by Ambassador Franks on Mar. 11 and was attached to a memorandum by Battle to the White House, along with Eden's message to Acheson (*infra*), which asked that they be cabled to President Truman who was then in Florida.

[2] For documentation on the Truman-Churchill talks, held Jan. 5-18, at Washington, see Documents 311 ff.

[3] Not printed; the *aide-mémoire*, dated Mar. 12, presented a detailed proposal for the United States to accept several hundred jet aircraft from the United Kingdom, thus earning dollars for the British and easing their balance of payments problem. (741.5 MSP/3-1252)

No. 366

741.5 MSP/3-1152

Foreign Secretary Eden to the Secretary of State [1]

SECRET [LONDON,] March 10, 1952.

You will have seen the Prime Minister's message to The President [2] explaining the economic circumstances in which we find ourselves and making the suggestion that the United States should take over some of our United Kingdom contracts for the production of the most valuable N.A.T.O. weapons (Venoms, Canberras and the like).

I mentioned to you in Lisbon how seriously concerned I was over our economic problems. [3] The measures which we are now forced to undertake in connexion with the Budget show our firm determination to put our affairs in order. I know you understand how essential it is for us if we are to play our full part in Western defence to have a sound economy and I am sending you this message to enlist your sympathetic support for the proposal which the Prime Minister is now making.

I realize that it will raise a good many difficulties especially for Bob Lovett and Averell. But I am convinced that something on these lines is necessary and to our mutual interest. I am sure we can rely on you and your colleagues to do your utmost to help.

[Attachment]

Paper Prepared by Foreign Secretary Eden

SECRET [LONDON,] undated.

Following is background to Prime Minister's Message.

1. The Prime Minister and I explained in January our very serious external situation and told the President that our main hope lay in an expansion of our engineering exports involving cutting sharply into home civil demand for engineering products and some reluctant slowing down of the defence programme.

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[1] This message was delivered to Secretary Acheson by Ambassador Franks on Mar. 11 and was attached to a memorandum by Battle to the White House, along with Churchill's message to Truman (*supra*), which asked that they be cabled to the President who was then in Florida.

[2] *Supra*.

[3] For a record of Eden's discussion with Acheson on British economic problems during the Ninth Session of the North Atlantic Council at Lisbon, Feb. 20–25, see vol. v, Part 1, p. 131.

2. Since then our external difficulties have become even more acute and the Chancellor of the Exchequer will announce a further series of measures to deal with it in his Budget speech. These imply grave shortages of the things which our people need most and hardship for many people. The reductions imposed on the home investment demand for engineering products represent the maximum drafts on the future.

3. The action we have now set in train together with the direct dollar assistance which we are relying on receiving from the United States during 1952/53 will we trust suffice. But there is no margin. If things get worse or if there are delays in the flow of dollar assistance we shall be compelled to take further measures to pay our way. It would be impossible to go on cutting home consumption and imports essential to the life and continued strength of the community while still retaining public support for the defence programme at its present level. We should therefore have to rely on expanding our exports further. But this could not be done without a sharp and immediate cut in the defence programme which we are sure the United States Administration are as anxious as we are to avoid particularly having regard to our very large contribution to total European arms production.

4. The essential thing for us is to know what we can count on and when we can count on receiving it. Our liabilities are only too clear. The United States Government know that they can count on us to use any aid we receive from them to our best mutual advantage. If they could assure us of an amount of economic aid sufficient to cover our dollar deficit we could maintain our defence programme and in particular those elements in it which are vital to NATO. But we realise the difficulty in assuring us of economic aid and the importance which Congress has attached to linking aid to specific defence items. We believe the most hopeful solution would be to get the United States Government to supplement their economic support by using specific items in our munitions capacity for NATO purposes.

5. We can for example offer for sale under the offshore procurement procedure military equipment of the latest types such as Canberra and Venom aircraft for which we have placed orders under our present programme. If the United States could take over those items it would be possible for the United Kingdom to earn immediate dollars against deliveries in 1952/53 and progress payments for aircraft due to be delivered later and General Eisenhower would be assured of these vital supplies which the competent NATO authorities could allocate to whichever NATO force could use them most effectively. The outlay of dollars would be directly linked with the delivery of weapons of the highest priority and the United States

taxpayer would be getting good value for his money as our costs are lower.

6. These aircraft are it is true at present within the United Kingdom defence programme but we fear there is a grave risk that our defence effort cannot be sustained at its present level unless something of this kind which brings us quick and certain relief is acceptable.

7. This proposal would be developed with Mr. Batt in London and with Mr. Harriman in Washington through you. [4]

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[4] On Mar. 14 Secretary Acheson discussed the British proposal with Ambassador Franks and asked, among other things, if there was scope for further offshore purchases. On Mar. 21 the British replied that they would submit further proposals for the offshore purchase of military equipment. (*Aide-mémoire*, Mar. 21; 741.5 MSP/3-2152) This *aide-mémoire* contains the only record of the discussion on Mar. 14 which has been found in Department of State files.

Subsequently on Apr. 18 Gifford cabled from London that "Batt had discussed this general situation with Alexander, and it is agreed that the matter had as well be considered closed as of the present." Gifford continued that no formal reply was expected to the British proposals, but that the British would "continue to press strongly for largest possible dollar support from US." (Telegram 4706; 741.5 MSP/4-1852)

No. 367

Editorial Note

From June 24 to June 28, Secretary Acheson was in London for bilateral and trilateral conversations with the Foreign Ministers of the United Kingdom and France. During this period Acheson held seven meetings with British officials on topics of mutual concern in Europe, the Middle East, and the Far East. For a description of these meetings, see the editorial note, volume V, Part 2, page 1544.

No. 368

841.131/10-1652: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State [1]

SECRET LONDON, October 16, 1952—9 p. m.

2252. Dept pls pass Treasury, MSA, DMS.

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[1] Transmitted in two sections; repeated to Paris.

1. Lee and Dean yesterday invited Gordon and Brown to hear oral summary results of Commonwealth officials meeting. [2] . . .

. . . .

3. Substance their summary as follows.

4. Conference discussions were conducted throughout on a high level of technical competence, reflected a realistic understanding of the problems faced by the Commonwealth and were marked by an unusual willingness of officials to have the internal behavior of their respective countries thoroughly and frankly discussed. Domestic political considerations were kept to a minimum.

5. *Short-term balance of payments.* The officials made an exhaustive analysis of the short-term balance of payments, more thorough than had been made by a group of Commonwealth officials before. Analysis covered only period through June 1953. The conclusion reached was that the Commonwealth wld be in over-all balance with rest of the world, after including US aid in the amt indicated in our preliminary estimate to the Congress for 1952/1953, and receipts that might be expected from off-shore procurement in the major items, such as Swifts and Centurions, which are now considered reasonably firm.

6. It was recognized that this balance is being achieved primarily as a result of import cuts rather than by expanded exports. Attitude is that critical emergency has passed, but that long hard road must still be pursued to get out of woods. No estimates were made for periods beyond mid-1953 in view of general uncertainties and especially fact that primary producing countries had no basis for estimating probable prices of their commodities after that time.

7. *Commodity policy.* Nothing new was developed in this field. There was a general reaffirmation of the desirability of avoiding wide fluctuations in primary commodity prices. It was recognized that conditions in different commodities varied widely and that the problem of stabilization wld have to be handled on commodity-by-commodity basis. It was decided to have another look at a dozen or more obvious commodities to see whether it was desirable to seek any kind of international action with respect to any of them. The problem of whether it was possible to find a way of taking emergency action before serious surplus situation developed without going through all the procedures prescribed by Chapter 6 was considered without conclusion. Attitudes of the different countries varied widely with Pakistan favoring some form of international price parity arrangements and Australia being sceptical of any

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[2] Commonwealth officials began meeting in London on Sept. 22 to prepare for the Prime Ministers meeting scheduled for November 1952.

commodity agreements, especially after wheat agreement experience.

8. *Commonwealth development.* Much attention was given to the most effective way of developing Commonwealth resources. Underdeveloped members, especially Pakistan, were very strongly in support of rapid industrialization. At same time it was recognized that use limited capital available must be more definitely and effectively planned and that self-discipline by member countries required in using available capital. It was agreed that studies shld be made of methods of developing production of such basic dollar-saving or earning Commonwealth commodities as wheat, copper, chrome, etc. At same time, danger was stressed of developing production which wld be uneconomic in multilateral world.

9. Methods of financing this development were discussed. The UK officials pointed out that it was a condition precedent to their being able to provide the needed capital that the UK shld run a surplus in current account. But, nevertheless, UK indicated that it was prepared to consider providing somewhat more capital for sound development schemes than it had been doing. This very tentative suggestion, in form of indication of intent and not quantified, was avidly seized upon by other countries.

10. There was considerable discussion of means of attracting dollar capital and it was frankly recognized that in order to do so, substantial investments of local capital in the member countries wld be necessary. Obstacles to dollar investment, such as difficulties in repatriation of investment and remittance of earnings, restrictions on purchasing dollar capital equipment, requirements of employment of local personnel, etc., were reviewed to see what cld be done to modify them.

11. Stress was laid upon the role of the International Bank, which makes excellent and penetrating analyses of the soundness of the projects which it finances and which cannot be accused of acting as a colonial power in making these criticisms or of selecting its investments. IBRD loans are also untied.

12. *Progress toward convertibility.* There was agreement on convertibility as a goal and discussion of the necessary conditions and ways and means of meeting it. In fact, this was the point from which the discussion started. There was agreement that a basic prerequisite of progress toward convertibility was sound and strict internal financial measures. Discussion on this point was encouragingly frank and the unanimity of agreement on the need for internal self-discipline was considered heartening.

13. Beyond this point wide divergencies of opinion emerged. The Canadians, on the one hand, favored early convertibility with fluctuating exchange rates. While they recognized that some limits on

convertibility, as well as certain QRs, wld have to be maintained, they advocated willingness to take substantial risk. South America was strong for convertibility provided it involved a raising of the price of gold. At the other extreme, India, Pakistan, and Ceylon, were greatly troubled at the prospect of convertibility. Their doubts had two aspects. The first was the political problem of how they cld present such a program to their people. They were concerned at arrangements involving fluctuations in value their reserves without any control their part. They pointed out that their governmental machinery was not sufficiently developed to make possible the internal fiscal or monetary disciplines which all agreed were a prerequisite to the success of convertibility. Their tax systems and social conditions simply did not permit the indirect controls which were available to countries like the UK. They also feared that any such move might be considered as one imposed by the developed or NATO powers and urged that, if it were to be adopted, it be presented by some international body of wide membership, such as IMF or GATT, in which they are equal and independent participants. On the practical side, they were concerned that even a limited convertibility and the abandonment of quantitative restrictions wld leave them at the mercy of forces entirely beyond their control. There was division on this point among the UK officials themselves, with the weight of opinion, on the whole, inclined toward making the effort on a somewhat managed basis.

14. It was contemplated that if some measure of convertibility were attempted adjustments might have to be made not only in the direction of a flexible sterling-dollar rate, but also possibly in the rates between the different members of the Commonwealth.

15. No precise definition was made of the conditions considered prerequisite to any effort at convertibility, but it was felt that reserves were still dangerously low as a basis for any such effort.[3]

16. There were no suggestions from any source of more formal sterling area institutions than now exist.

17. The gen assumption as to the role of the US in any such picture was that it wld have to behave as might be expected of a good creditor in terms of its commercial and investment policies. No specific proposals involving support from the US were formulated, although the possibility of some form of US support of sterling, if an effort at convertibility shld be made, was suggested.

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[3] In telegram 2253 from London, Oct. 16, Gifford reported further that the Embassy had gained the impression that some form of convertibility "was now considered as action [*active*?] possibility, perhaps in 1953, rather than merely as distant goal." (841.131/10-1652)

18. The consensus of opinion was definitely against any effort to build up soft markets for Commonwealth exports or to build the Commonwealth or the sterling area as a closed trading bloc. No suggestion was made that the Commonwealth countries withdraw from GATT although the possibilities of some amendments to the GATT were considered. While unwilling to discuss the attitudes of different countries toward Commonwealth preferences, our informants stated that so far as commercial policy was considered the group wanted to go "your way" rather than the Beaverbrook way.

19. In all the discussions it was assumed that the UK wld have to continue to carry approx its current burden of re-armament.

20. At the close, Lee and Dean again stressed the fact that the ideas reported were purely those of officials which wld have to be considered by Mins and might be wholly rejected by them.

21. We gained the impression that the officials had (1) concluded that the road that the Commonwealth must follow was the road of becoming competitive and of seeking convertibility and (2) that there was a new recognition among the officials at least of the central importance to the success of this effort of internal self-discipline both in current fin policies and in capital investment.

22. This impression was confirmed by the mtg today with Norman, Robertson, Rasminski, and Deutsch. Although unusally reticent, they clearly confirmed that the officials were all agreed that the Commonwealth countries must be steered toward a multilateral world and that there was no pressure for a closed sterling bloc. They detected no signs of desire for this among UK officials and stated that if it had been proposed by them it wld not have been a starter with the others.

23. We gained the impression that the Canadians were well-satisfied with the results of the mtg and that the officials had given rather more specific attention to procedures for future action than might be inferred from what Lee and Dean had told us.

24. They felt that the statements of the FinMins last year about approach to convertibility were now considered far more timely and immed and were being taken much more seriously than wld have been the case a few months ago.

25. They stressed the great difficulties for India in a move toward convertibility and abandonment of quotas. The Indians did not see how they cld carry on the kind of development of their country which they thought was necessary without the use of QRs. With the limited savings in their country, its inadequate admin and tax structure, and its enormous needs for capital, the investment had to be highly selective and internal fin measures were too blunt instruments. The Commonwealth officials agreed that it was better that any move toward convertibility shld be made with India and

the other Asiatic members in rather than outside, even though the Asians might have to move at a slower pace.

26. They stated that the UK and Canada were the only countries which had really done much homework before the mtg and, therefore, the possibility of divergence between the views of officials and Mins of the other Commonwealth countries was much greater. They also stressed, however, the especially difficult polit problems for UK Conservative Govt, particularly regarding Commonwealth preferences, GATT (Embtel [*despatch*] 1796 Oct 16 [4]), and domestic popularity of welfare state.

27. They stated that in all of the discussions the UK had made it quite clear that sterling was their currency and that in any move toward convertibility they wld have to make the ultimate decision. This was accepted by all concerned.

28. We discussed at length the problems of timing involved in securing a proper coordination of the US and Commonwealth policies. The Canadians expressed the strong hope that the US wld formulate its own commercial, investment and econ assistance policies on the assumption that the Commonwealth countries wld follow a sensible policy. They felt that any kind of bargaining between ourselves and the Commonwealth as to policy wld be unfortunate and said that they had tried to keep their colleagues from getting into any kind of a bargaining attitude.

29. They realized that no Amer policy cld become overt before the Commonwealth mtg but hoped that the probable line of US policy might be foreshadowed by the time of the President's inaugural address.

30. They do not expect that the Prime Mins Conf will produce dramatic public results, but foresee its results as a basis for further steps behind the scene, including discussions with US. They did not anticipate that the UK wld know anything very definite about the reactions of other Commonwealth Mins to the officials recommendations much before the actual opening of the conf in Nov.

31. Have reason to expect Canadians will be more communicative after US election.

GIFFORD

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[4] Despatch 1796 from London reported on the discussion of GATT and imperial preferences at the Conservative Party Conference. (394.31/10-1652)

No. 369

611.41/10–1752: Airgram

The Acting Secretary of State to the Embassy in the United Kingdom [1]

SECRET WASHINGTON, October 30, 1952.

A–674. References: Embtel 2258, October 17 and Embassy Despatch No. 823, August 13 on "Consultation with Commonwealth Governments".[2] In suggesting this subject for the Truman–Churchill talks of January 1952, the Department did not seek agreed procedures for regular and normal consultation with Commonwealth Governments but rather an arrangement for occasional exclusive US–UK discussion which both Governments would fully respect as long as the circumstances of either required. The Commonwealth was cited principally because it was assumed that the obligation upon the United Kingdom to consult was greater in the cases of the Dominions than of other friendly governments.

The Department did not anticipate that either Government would desire such limitation on its consultation with the other except under unusual and infrequent circumstances. Nevertheless it believed that the interests of both countries would be served in these special circumstances if it were clearly understood that a bilateral line of discussion undertaken would not be passed along to a third country. In most cases, the need for this limitation probably would pass in a relatively short time.

The U.S. probably would not be prepared to undertake the type of discussion contemplated in the Department's original consideration of this matter if British acceptance of the conditions of confidence were qualified to the extent suggested in either version proposed in the reference despatch. The Department's original objectives would be more accurately expressed in the following modification of the exchange discussed between the Embassy and Foreign Office:

"In certain special cases either HMG or the US Government may wish to confine exchanges or consultations on a specific matter strictly to the two Governments. If either Government wishes any particular matter to be handled in this way, it is that Government's responsibility so to inform the other Government. If the latter accepts this condition upon the initiation of a discussion, it will not inform other Governments, including the members of the Commonwealth, without prior consultation with the Government which requested this treatment of the subject discussed."

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[1] Drafted by Hamilton on Oct. 27 and cleared by Raynor, Perkins, Bonbright, and Matthews.

[2] Neither printed; the latter transmitted excerpts from various records of the Truman–Churchill talks (see Documents 329 ff.), a letter from Penfield to the Foreign Office suggesting language for an agreement on consultation with the Commonwealth, dated May 12, and a reply from the Foreign Office, dated Aug. 9, offering different language for such an agreement; the former reported that the Foreign Office had inquired when it might expect a reply to its proposal of Aug. 9. (611.41/8–1352 and 10–1752)

If the British are reluctant to accept some such version of what was sought and agreed in the January discussion, it may be preferable to drop the subject at this point, introducing it again on the next occasion that the intimate kind of discussion with the British, orginally envisaged by the Department, seems desirable. [3]

Bruce

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[3] On Apr. 20, 1953, the Embassy in London reported that it had received a message from the Foreign Office, dated Apr. 16, which stated that it believed it would be better to leave the matter of consultation with the Commonwealth as it stood rather than attempt to commit anything to paper. (Despatch 4999; 741.00/4-2053)

No. 370

Editorial Note

During the course of Seventh Session of the United Nations General Assembly in New York, November-December 1952, Secretary Acheson held a number of discussions with Foreign Secretary Eden on topics germane to the United Nations and on problems facing the United States and the United Kingdom that were not on the agenda of the General Assembly. A record of these talks, including background and briefing papers prepared for Secretary Acheson, and the talks with other Foreign Ministers who were attending the Seventh Session is in Conference files, lot 59 D 95, CF 132-134.

No. 371

841.00 Colonial/12-2452

Memorandum of Conversation, by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor)

SECRET WASHINGTON, December 24, 1952.

Subject: Background on the Commonwealth Economic Conference [1]
Participants: Commonwealth Representatives
Mr. H. Raynor, Director, BNA

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[1] The Commonwealth Prime Ministers Conference finished its work at London on Dec. 11.

Import Restrictions

This matter was approached by several delegations from the point of view of self-interest. As to the U.K. the self-interest angle was based on a conclusion that in the overall restrictions were harming the U.K. more than helping. The Australian restrictions brought this into focus but in reaching this conclusion the overall situation, including the Continent, was taken into account.

Australia's and New Zealand's self-interest was from the point of view of the need for capital. Both countries realize that in the future they will not be able to obtain their full capital requirements in London. They realize further that the need cannot be fully met in the U.S. unless they are part of a convertible system.

There was a general feeling shared by all delegations of being fed up with being called to London every year or so to meet a crisis situation and a determination that whatever the cost may be to put an end to this kind of situation.

Internal Measures

Much more than lip service was paid to the principle that each country must put its own house in order. The opinion has been expressed that the necessity of each country accounting for its own policies, to its sovereign equals in the family was having a most salutary effect and analogy drawn to the same type of salutary effect in a different field resulting from the accountability features of GATT. The observation was made to me that the Indian Finance Minister had been impressive in the conference and was one of the ablest participants.

Convertibility

This was one subject on which Commonwealth representatives indicated they were not free to speak at all. I have been told, however, that "agreement was reached on a more or less precise plan for approaching convertibility". It has been pointed out to me that the use of the word "plan" in the communiqué in paragraphs 18 and 21 is therefore of significance. It was firmly agreed that the U.K. would speak for the sterling area on this when the U.S. was approached. In this connection, as to the approach to the U.S., the timing and method has all been left to the discretion of the U.K.

Economic Development

I have been told the U.K. wanted to reach an agreement based on conviction to the effect that economic development would be pursued only if the specific projects would contribute to an improvement in the balance of payments position of the sterling area. The U.K. realized, however, that to press this too hard would risk jeopardizing the position of the City or perhaps even lead to withdrawals from the sterling area. Hence, they went along with certain offsets to this principle.

1) Agreed to the release of the sterling portion (18%) of sterling area contributions to the International Monetary Fund.

2) To the creation of the consortium body for private investment in the City under the chairmanship of Sir Edward Peacock. On the latter point this was a watered-down version of a not-too-well defined proposal put forward by New Zealand for some kind of a Commonwealth development corporation. A point was made that the City consortium project referred to was one involving private capital. In this connection the observation was made to me that Prime Minister Holland had not been impressive at the conference.

Tariff Questions

Considerable time was devoted to discussions of what adjustments would be necessary in the field of tariffs and preferences should restrictions be modified or convertibility started.

The UK in general favored the goal of no quantitative restrictions others than those permitted under Article 18 of GATT. The Indians, however, in particular, and some of the others, stressed that this was not enough. They wanted to be in a position to keep out luxury goods in general; for instance Cadillacs even though they were not planning to build automobile factories. This was the reason behind paragraph 19 of the communiqué according to my information.

On the questions of tariff rates the U.K. originally launched a move to modify Article I of GATT. On this they received support only from Australia and the concept of the Commonwealth looking inwardly for prosperity was decisively defeated. The U.K. accepted this with grace but did stress that they would have some problems in this field. They did not know precisely what these would be as the tariff had not been used by them as an instrument of protection since before the war. They felt, however, it would be very likely necessary for them to raise MFN rates on certain categories of goods. Immediately, they have this problem with respect to fruits and vegetables in order to be protected in this field from the Continent. The U.K. pointed out that it will be impossible to get Parliament to approve legislation which would impose a duty on a specific commodity for the first time against a Commonwealth country. This was the reason, according to my informants, for paragraph 16.[2]

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[2] For the text of the communiqué, see *Documents* (R.I.I.A.) for 1952, pp. 62–67, or Department of State *Bulletin*, Mar. 16, 1953, pp. 397–399.

No. 372

841.00/1–753: Telegram

The Ambassador in the United Kingdom (Gifford) to the Department of State [1]

SECRET LONDON, January 7, 1953—6 p. m.

3716. Washington pass Treasury, DMS and MSA. Limit distribution.

1. Analysis results Commonwealth Prime Minister Conference air pouched today. [2]

2. British official opinion has been divided on how best carry out consultations with US and OEEC countries. One group has urged that initial approach to US be made personally by Chancellor, probably in company with Foreign Minister, with idea that in brief visit they could get enough indication in principle that US would be willing to consider and negotiate about Commonwealth plan, to justify its discussion without major change with principal European countries or OEEC. The second group believe best procedure would be for Makins to call on Secretary State and Secretary Treasury, perhaps in late February, and hand them memorandum describing plan in some detail with an inquiry as to whether it could be considered a basis for negotiation. If, after a week or so for analysis and discussion with US government, US reactions were generally favorable, further clarifying discussions might be held at official level and Chancellor could discuss plan in preliminary way with European countries. More firm and detailed negotiations with US could subsequently take place on bilateral or multilateral basis.

3. In discussion today with Gordon and Brown, Chancellor made clear that he feels it essential to make personal contact with new Secretary Treasury and other top US Government officers at an early date. Final preparation budget and its defense in Parliament. Impossible for him leave London between mid-March and early June. He feels latter clearly too late for first top level personal contact and therefore desires, in any event, to visit Washington before mid-March.

4. Chancellor is aware two viewpoints referred paragraph 2 and is sensitive to difficulty getting really meaningful US reaction, even of preliminary character, on so complex a subject without advance preparation. Government, therefore, has under advisement possibility instructing Makins make preliminary presentation of

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[1] Repeated to Paris.

[2] Despatch 3070, Jan. 5, not printed. (741.022/1–553)

plan in advance Butler-Eden visit.[3] Although no decision as yet, we rather expect that this procedure will be adopted. If so, Makins' approach might be early February.

5. Division also exists within UK Government as to whether consultations with European countries should be through OEEC or with France, Belgium, Netherlands, West Germany and Italy separately. Treasury and Bank favor latter course but some officials believe that OEEC will ultimately be chosen as vehicle for consultation, especially in view British chairmanship OEEC and basic political considerations UK-European relations.

6. While there is general agreement on nature of plan and main steps it involves, British Government is still divided on question of how fast various measures involved should be put into effect. Treasury and Bank seem to favor prompt and extensive action whereas Board Trade, Foreign Office, Plowden and Hall favor more gradual approach. The latter group believes this would lay firmer foundation for success of plan, and make it less likely that politicians will be confronted with really drastic and precise choices between the plan and sensitive domestic policies, in which event they fear that domestic political considerations would compel abandonment of the plan and also endanger the defense program. These persons, none of whom are devoted to controls for their own sake, also believe that failure of this plan similar to 1947 would be really catastrophic, that it would postpone indefinitely another effort at convertibility, that it might undermine the present government and strengthen Bevanism, and that it might threaten a major breach in Anglo-American relations.

GIFFORD

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[3] For documentation on the Butler-Eden visit to Washington, Mar. 4-7, see Documents 375 ff.

No. 373

Conference files, lot 59 D 95, CF 135

Memorandum of Conversation, by William J. McWilliams of the Executive Secretariat[1]

TOP SECRET [WASHINGTON,] undated.

Participants: Mr. Dulles
Mr. Bruce
Mr. Allison
Mr. Jernegan
Mr. Bonbright
Mr. Riddleberger
Mr. MacArthur
Mr. McWilliams

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[1] The conversation took place at 4 p.m. on Jan. 8, 1953.

Mr. Dulles requested that the above named officers assemble in Mr. Bruce's office in order that he might give an account of the conferences held with Prime Minister Churchill at the Eisenhower Headquarters in New York. [2] Mr. Dulles reported on these conversations, as follows:

General

At the initial meeting between General Eisenhower and Mr. Churchill, Mr. Churchill made it plain that he would like to reestablish with General Eisenhower the sort of relationship which existed between President Roosevelt and Mr. Churchill. He indicated that he would like to settle major questions arising by sitting around a table with General Eisenhower. Mr. Dulles reported that General Eisenhower had replied by saying that, of course, he wished to have the closest possible relationship with Mr. Churchill but that the making of decisions must go through regular channels.

The other primary item which Mr. Churchill discussed at this conference with General Eisenhower was the ANZUS Treaty. Mr. Churchill made it very plain that he was much put out by the exclusion of Great Britain from the ANZUS Council and went through the familiar arguments as to why Great Britain should be included. General Eisenhower was apparently non-committal and after the conference Mr. Churchill gave a memorandum to General Eisenhower regarding this subject. [3] (Mr. Dulles reported that he did not yet have this memorandum but he expected that it would be forwarded to him.)

Far East and ANZUS Treaty

Mr. Dulles reported that he had had two meetings with Mr. Churchill. The first was held with Ambassador Designate Aldrich present. Mr. Dulles reported that the main issue discussed at the first meeting was China. He said he would not go into the details of the conversation at this time but would inform Mr. Allison in more detail on this subject at a later time. He did say that he had talked to Mr. Churchill along the line that the problems of Korea, China and Indo-China should be viewed as one problem and considered as a whole. He had pointed out to Mr. Churchill that he thought that these problems were so inter-twined that they could not be dealt with separately. He reported that Mr. Churchill agreed with him and said he is much in favor of proceeding on this basis.

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[2] The conferences took place between Jan. 3 and Jan. 8 while Prime Minister Churchill was visiting Bernard Baruch in New York. On Jan. 8 Churchill flew to Washington for the meeting with President Truman which is described in Secretary Acheson's memorandum of conversation, *infra*.

[3] For text of this undated memorandum, see vol. XII, Part 1, p. 256.

Mr. Dulles said he had had a second meeting with Mr. Churchill yesterday evening following dinner. Governor Dewey was present during this meeting. He said the bulk of this meeting was taken up by a discussion of the British position regarding membership in the ANZUS Council. He said Mr. Churchill was very definite in his demand for either full membership or as a minimum a position as observer on the Council. Mr. Dulles said he had informed Mr. Churchill that this matter had been discussed with Foreign Minister Morrison at the time of its formation and that Mr. Morrison had never asked that the British be included. Mr. Churchill replied by saying Mr. Morrison said that the contrary was true. Mr. Dulles said this was not so. Mr. Churchill said that irrespective of that he now wanted some status for granting the British in ANZUS—preferably as a full member. Mr. Dulles pointed out to him the additional commitments that it would place upon the United States since British territories in the Far East—such as Malay and Hong Kong—would then come under the guarantees of the ANZUS Agreement. Mr. Dulles said that he at this moment did not know how the United States Military would view such additional commitments. He also pointed out that the French would then want to be included as would Formosa, Japan and the Philippines. He went into the history of the development of the ANZUS and explained to Mr. Churchill how it was necessary at that time to drop Japan and the Philippines from consideration in the formation of the Pact.

Iran

Mr. Dulles reported that Iran had been discussed in rather a superficial way. He said Mr. Churchill did not have mastery of the facts concerning the Iranian situation and his main point was that he would like the *status quo* in Iran during present negotiations maintained. Mr. Churchill repeated the familiar British line that their concern as to the political future of Iran was not as great as ours and that he did not believe there was any danger of a takeover by the Tudeh Party. He asked that the incoming administration not rock the boat on current negotiations. He also expressed himself as being strongly opposed to the sending in of American technicians as proposed by Alton Jones. Both Mr. Dulles and General Eisenhower informed Mr. Churchill that they had no intent of disturbing present negotiations which seek to end the oil crisis.

EDC

Mr. Dulles said he had been quite concerned at the apparent breakdown of support for the EDC. He said that developments in Germany and France have been disturbing and General Eisenhower's message to Chancellor Adenauer was an attempt to restore the situation.[4] Mr. Dulles thinks now that this may have been a mistake since it appears General Eisenhower's prestige there has not brought the desired result since it is reported in the paper that Adenauer has now announced his belief that a review of the treaty is necessary. Mr. Dulles said, however, that he and General Eisenhower had recognized they were taking a risk in sending the Eisenhower message but they felt that it was a risk worth taking. In line with the above, Mr. Dulles said he had pressed Mr. Churchill to take a more positive approach toward the EDC.

Mr. Dulles said that at his first meeting with Mr. Churchill he thought he had made progress. However, when he met with him the second time Mr. Churchill seemed to have reversed his position and took a strong view that we must go ahead with the formation of national armies and depend upon a grand alliance which will combine strength. Mr. Churchill made the point that he did not believe you could have an effective army without loyalty to a particular country.

In sum, Mr. Dulles felt that Mr. Churchill takes a very dim view of the EDC and Mr. Dulles feels that this is a very discouraging development. He told Mr. Churchill that this view could cause difficulty in our Congress and in the matter of the amount of assistance which we would be able to give to the European countries. He said he thought Mr. Churchill resented this but probably recognized the validity of it. Mr. Churchill expressed a very low view of the French.

Convertibility of Sterling

Mr. Dulles said Mr. Churchill did not attempt to discuss this in a substantive way but that he was anxious to take up British financial problems with the new administration as soon as it was able. Mr. Dulles told him he thought the new administration would be ready to discuss this early in February.

Mr. Churchill then put forth the idea that he might stay over in Jamaica an extra week and then return to Washington to open a conference on this subject. Mr. Dulles warned him against this and said that because of the respect in which the American people and the Congress hold Mr. Churchill there would be strong suspicion if Mr. Churchill were to do this. The Congress and the people in general would believe that this was not a proposition which could stand on its own and Mr. Churchill had had to put his prestige behind it to pull it off. Congress would be suspicious and Mr. Dulles thought nothing good could come of this. He suggested to Mr. Churchill that a working party, headed by Mr. Butler, should arrive about February 10th with Mr. Eden coming over about February 20th. Mr. Churchill agreed with this.

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[4] For text of President-elect Eisenhower's message to Chancellor Adenauer, Jan 6, 1953, see the editorial note, vol. v, Part 1, p. 700.

Formosa

Mr. Dulles said there was not a great deal of discussion about Formosa but that he had informed Mr. Churchill that the new administration would want to change the mission of the Seventh Fleet so as to take away the prohibition against any attack on the mainland as an adjunct to the Chinese communists when they are attacking us.

Mr. Churchill at first said this was a good way of putting it and he understood it but later he told Mr. Dulles that he hoped there would be an exchange of views between the governments on this subject. Mr. Dulles informed Mr. Churchill that he was informing him officially as of now and also warning him that there may be a statement of this in General Eisenhower's inauguration address.[5]

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[5] On Jan. 30 Presidential Assistant Cutler sent a memorandum to Under Secretary Smith stating that he had asked the President about his meetings with Churchill in New York. President Eisenhower said that his talks were not devoted to specific issues and thought there was nothing sufficiently concrete discussed to warrant informing the personnel of the new Administration. (Memorandum by Cutler; Conference files, lot 59 D 95, CF 135)

No. 374

Conference files, lot 59 D 95, CF 135

Memorandum of Conversation, by the Secretary of State

CONFIDENTIAL [WASHINGTON,] January 8, 1953.

This afternoon at 4:00 o'clock the President received Prime Minister Churchill, who was accompanied by the British Ambassador, Sir Roger Makins. The President had with him the Secretary of State, the Secretary of the Treasury, the Secretary of Defense and the Director of Mutual Security, Mr. Averell Harriman.

The meeting was a social and most friendly one. Matters of international importance were touched on only in passing. The President and the Prime Minister recalled their meeting in Potsdam and the next meeting, which was the trip to Fulton, Missouri for Mr. Churchill's speech.

The Prime Minister expressed his gratitude to the President for making the *Independence* available for his flight from New York to Washington and to Jamaica. He expressed his great appreciation of all the courtesies which the President had extended to him over the years and hoped that in the not too distant future the President and Mrs. Truman would visit England, where the Prime Minister assured the President of a very warm welcome. The President said that he hoped that he might make such a visit, but he would not wish to take any step now which might be misconstrued. The Prime Minister observed that he himself had been misconstrued for over fifty years and that no one had really found him out yet. The Prime Minister hoped that his visit to the United States on his way to Jamaica had not been inappropriate. The President assured him that it was entirely appropriate and hoped that his conversations with General Eisenhower [1] had been useful, expressed his high regard for the General and hoped that the Prime Minister and the incoming President would maintain the closest relations in the years to come.

The Prime Minister again expressed his great admiration for the President's decision in regard to Korea and the subsequent program in the United States, which he believed had preserved the freedom of the free world. He expressed great interest in the new developments which had been reported to him of American air force and navy air force bombing in Korea, which represented vast improvements over World War II standards. The Secretary of Defense discussed this matter with the Prime Minister. He mentioned also the determined efforts of his Government to bring Great Britain in self-supporting balance with the rest of the world, and discussed briefly with the Secretary of the Treasury Mr. Butler's efforts in this direction. He said that he was not very familiar with the conclusions reached by the Commonwealth Conference which had been left largely in the hands of the Chancellor of the Exchequer, and with which Mr. Snyder was already familiar.

He spoke to the Secretary of State in sincere appreciation of what he described as the brilliant efforts which the State Department had made in bringing about a settlement of the oil situation and said he had heard from Mr. Eden in hopeful vein. The Secretary responded that he also had hoped that the matter might be brought to a successful conclusion and urged the greatest efforts to this end.

The remainder of the conversation was particularly personal, intimate and friendly, chiefly between the President and the Prime Minister, with occasional participation of the others present. The

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[1] Regarding Prime Minister Churchill's conversations with President-elect Eisenhower, see the memorandum of conversation, *supra*.

Prime Minister left at 5:20 and said he was looking forward to seeing the President at dinner at the Embassy this evening. [2]

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[2] No record of the dinner at the British Embassy has been found in Department of State files.

C. The Butler-Eden Talks, Washington, March 4-7, 1953

Preparations for the Meetings

No. 375

Editorial Note

During the North Atlantic Council meeting at Paris in December 1952, Chancellor of the Exchequer Butler discussed with Secretary of the Treasury Snyder the possibility of a visit to Washington. No record of this conversation has been found in Department of State files, but it is referred to in telegram 4704 cited below. Following the receipt of telegram 3716, January 7 (Document 372), in which this possibility was again raised, and the conversations between Prime Minister Churchill and Secretary of State-designate Dulles (see Document 373) during which the possibility of Butler and Eden visiting Washington for financial talks was discussed, Secretary Snyder transmitted a message to Butler (telegram 4704, January 15; 841.00/1-753) in which he stated that Treasury Secretary-designate Humphrey would welcome Treasury to Treasury talks in Washington. In a subsequent meeting with Ambassador Makins on January 26 Secretary Dulles suggested that the talks begin in the first week in March, thus allowing the new Administration to get its feet on the ground. (Memorandum of conversation, January 26; Secretary's Memoranda of Conversations, lot 64 D 199) Three days later Secretary Dulles held two meetings to consider the problem further. At the first with Linder and Burgess it was decided that it would be very useful if the British could present on a confidential level the proposals which they wished to discuss in the ministerial talks. At the second meeting Ambassador Makins suggested that he would in the course of the following days give the United States a document outlining the Commonwealth proposals. (Telegram 5039 to London, January 30; 841.00/1-3053)

During the second week of February the British Embassy transmitted to the Department of State a 62-paragraph memorandum, dated February 10, entitled "A Collective Approach to Freer Trade and Currencies", which was intended to provide a basis for collective action by the Commonwealth, Western Europe, and the United

States to create conditions of freer trade and currencies. The memorandum stated further that the proposals put forward therein had been agreed during the Commonwealth Prime Ministers Conference in London at the end of 1952 and that the United Kingdom had been selected to explore them first with the United States.

The first objective of the memorandum was the convertibility of sterling and other currencies and the removal of restrictions on payments; the second objective was the removal of trade restrictions and discrimination in order to encourage world trade. Progress had to be made toward both these objectives or the plan would fail. Additionally conditions had to be created which would foster international investment and development of the resources of the free world. The final proposal was to utilize the International Monetary Fund, the General Agreement on Tariffs and Trade, and the International Bank for Reconstruction and Development to promote these ideas and provide a forum for the discussion of major economic policies. A copy of this memorandum is in file 411.41/2–1053.

The memorandum was subsequently circulated within the Department of State and its substance transmitted to President Eisenhower (see Dulles' memorandum, *infra*). It became the basic topic for financial and economic talks with Butler and Eden which were held in Washington, March 4–7.

In preparation for the visit the Department of State drafted a series of 15 briefing memoranda for Secretary Dulles. These memoranda covered topics in Europe, the Middle East, the Far East, and global planning. A set of these memoranda is in Conference files, lot 59 D 95, CF 139.

Foreign Secretary Eden and Chancellor of the Exchequer Butler arrived in Washington on March 4 and held their first meeting with United States officials the same day. The documentation that follows presents records of all the meetings held in Washington and such ancillary papers as are necessary to indicate the course of the meetings.

No. 376

611.00/2-2053

Memorandum by the Secretary of State to the President [1]

TOP SECRET WASHINGTON, February 18, 1953.

Subject: British Proposals on "Trade, Not Aid"

The British Ambassador has given me a memorandum [2] setting out in detail the Commonwealth proposals for international action to strengthen the economic underpinning of the non-Communist world through "trade, not aid".

These proposals amount to a fresh and comprehensive attack on free world economic problems and are clearly of first importance for our foreign economic policy and our mutual defense program. At some stage they would require negotiations between the United States, the Commonwealth and Western Europe. They would also require a fundamental reexamination of our reciprocal trade and related foreign economic legislation.

Stated briefly, the main elements in this program are:

1. A determined effort by the British and continental Europeans to put their own internal economies on a sound basis.
2. A determined effort by these countries, over a period of time, to achieve convertibility of currencies and eliminate barriers to trade, including existing barriers to American exports.
3. Action by foreign countries and by the U.S. to increase the flow of American investment abroad.
4. Action by the U.S. to liberalize its import policy. This would mean reexamination of our reciprocal trade legislation, "Buy-American" policies, agricultural import restrictions and related trade questions. It would also involve planning large-scale tariff negotiations with a number of countries, including Japan.
5. Greater financial resources for the International Monetary Fund. This would require us to consider whether the U.S. contribution to the Fund should be increased.
6. Strengthening existing international machinery on trade and financial matters, principally the Monetary Fund and the General Agreement on Tariffs and Trade (GATT).

As you know, Secretary Humphrey and I plan to discuss these proposals with Foreign Secretary Eden and Chancellor of the Exchequer Butler in March. These talks, of course, will be entirely exploratory and without commitment. As the subject matter is also of interest to a number of other agencies, my staff is now discussing with the Treasury Department and MSA how best to obtain the views of other agencies consistent with maximum security.

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[1] The source text was an attachment to a memorandum from Presidential Assistant Sherman Adams, dated Feb. 20, which stated that President Eisenhower had suggested the possibility of a bipartisan approach to the British proposals.

[2] Not printed, but see the editorial note, *supra*.

The British have emphasized their desire to treat these proposals as Top Secret, particularly in view of certain of the financial aspects.

JOHN FOSTER DULLES

No. 377

740.5/2-2653: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State [1]

SECRET LONDON, February 26, 1953—5 p. m.

4800. Following background information about Eden and Butler and current British attitudes towards US may be useful to Department in forthcoming Washington discussions.

Eden and Butler.

Eden still regarded as eventual successor to Churchill. However, his standing in Conservative Party has suffered somewhat in past few weeks as result strong back-bench Tory criticism Sudan agreement [2] and fears by few Tory die-hards "empire" will be further "scuttled" on Suez Canal negotiations. Eden may hope Washington trip will result restoration this slight impairment his party standing.

Butler's political star has continued to rise and his standing within Conservative Party is high. He is in self-confident frame of mind and feels "on top of his job". Butler has told us he regards trip in part as opportunity establish closest possible relationships with his opposite numbers, particularly Secretary Treasury. He has said to us many times that, after 15 months in office, he regrets not having established these relationships.

Attitudes Toward US.

British public attitudes towards US (as distinct from attitude HMG) have quieted down since flare-up over Formosa decision. Secretary's visit here, [3] scotching of rumors re imminent decision blockade China and various actions economic field (decision seek renewal trade agreements act, President decision re briar pipe tariff, etc.) have all been helpful this regard. Nevertheless, British still feel uncertain and somewhat apprehensive re possible new policies by administration particularly as regards Far East and Soviet Union.

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[1] Transmitted in two sections. Repeated to Paris. Ambassador Aldrich presented his letters of credence and assumed charge of the Embassy on Feb. 20.

[2] Under reference here is the Anglo-Egyptian Agreement of Feb. 12, 1953 which provided for Sudanese self-determination at the end of a period not to exceed 3 years.

[3] Regarding Secretary Dulles' conversations in London, Feb. 4, see telegram 3654, Feb. 5, and a letter from Dulles to Eisenhower in vol. v, Part 2, pp. 1564 and 1567.

Although British no longer seem to feel US Far Eastern Policy will shift in near future without consultation with UK and others, there is strong undercurrent of concern that US may propose or take actions which risk "spreading war" in Korea or which may make eventual Far Eastern settlement more difficult.

This undercurrent of opinion could quickly erupt to surface and become extremely difficult from our point of view, unless evolution our policy re FE as it affects British is handled with greatest care. Eden will doubtless be most conscious of this parliamentary and public opinion problem in any discussions this subject.

British are also apprehensive over suggestions and rumors that new administration may regard "containment" as insufficient and may be embarking on stepped up psychological warfare and more "positive and dynamic" policy towards Soviets. British fears in this respect are fears of the unknown and of the as yet undefined. They still believe our real foreign policy objectives are same as theirs, and they do not question our motives, but they do fear we may act rashly and impulsively and thus heighten danger of war. They tend to regard possible "get tough" policy in international field as complementary to measures taken domestically in US against CP members, fellow travellers, etc. This entire area of opinion is an extremely sensitive one here since it is regarded as touching vital and fundamental issues of policy. So far as we know Eden does not intend to discuss question policy towards Soviets although it might be useful from our point of view if this area could at least be explored with him.

Apart from economic talks Eden will want to discuss following matters with Secretary:

1. European Defense Community.

A. Will exchange information on latest developments affecting ratification EDC and agreement on protocols. [4] Will raise question of what United States and United Kingdom can do to give final necessary push to achieve action.

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[4] For documentation on the five French protocols to the EDC Treaty, presented on Feb. 11, see vol. v, Part 1, pp. 719 ff.

B. Will discuss British reply to French proposals for British association with EDC. [5] Key point of French request is that British maintain forces on continent at present level for some undefined period. British reply being considered today by Cabinet which it is hoped will settle issue on which Foreign Office views reported divided, namely, whether British should agree to any form of consultation before withdrawing forces from continent. Foreign Office has promised furnish copy to Department through Makins and copy to us possibly tomorrow.

C. He will want to learn our attitude on question of extending NAT to 50 years, which would entail extension of British guarantee to EDC to same period. British are favorably disposed to such action and Foreign Office believes Parliament would ratify extension overwhelmingly. British believe French have not agreed such action because it would be too easy for British to reply by raising question of attitude United States of America and other NATO powers.

D. He will want to learn our reactions to French proposal for tripartite declaration for joint high level policy formulation, text of which transmitted Paris 4618 February 17 to Department. [6] Foreign Office understands text given State Department few days ago and initial American reaction unfavorable. British do not like this draft. They are uncertain whether French motives are primarily to gratify their aspirations to preserve great power status or whether ulterior motives predominate such as strategic objectives in Indochina and other areas. British believe smaller powers such as Netherlands would object strongly to such declaration.

They also point out that on some subjects like atomic energy Canada is more qualified than France to be included as third great power. British favor continuation of periodic meetings on lines hitherto followed without setting up formal relationship. They point out that under terms of draft French could call highest level meeting at any time.

E. It is not expected that questions about NATO except as stated above or EPC will come up.

2. Middle East.

On Middle East, Eden expects to thank Department for supporting principle arbitration United Kingdom/Saudi boundary dispute [7] and express hope Department would continue support. Eastern Department has prepared briefs for Eden on Alton Jones and Arab refugees in case Department raises these questions. Extent to which Eden will want to discuss Egyptian problem will depend on developments between now and his arrival, and same is true for Persia.

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[5] For documentation on the French proposal for closer British association with the EDC, see vol. v, Part 1, pp. 730 ff.

[6] Not printed; it reported that the French were circulating the text of a draft tripartite declaration for joint high level policy formulation on problems of major strategic implications. (740.5/2-1753)

3. Far East.

Eden plans give only minor emphasis to Far East questions. He unlikely raise any specific problems but has of course been briefed on such current British worries as United States plans re denunciation secret agreements, revised orders to Seventh Fleet, and talk of blockade of China. If United States does not initiate Far East discussions he will probably make short general statement emphasizing British views current Far East issues and stressing desirability prior consultation with British before any drastic new steps taken by United States. This desire for prior consultation holds of course for other areas as well.

4. Trieste.

Eden desires to renew conversation with Secretary about Trieste at point reached in their London talks early this month. One reason is he must prepare for talks with Tito who visits London mid-March. Foreign Office is gratified at lessening Italian pressure on this subject. British are convinced any provisional settlement would be mistake and they think it better to leave decision until after Italian election.

5. Balkan treaty.

He will want to discuss its influence on NATO and on eventual Trieste settlement.

ALDRICH

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[7] For documentation on the Anglo-Saudi dispute over Buraimi, see vol. IX, Part 2, pp. 2458 ff.

Political Conversations

No. 378

611.41/3-453

Memorandum by the Secretary of State of a Meeting at the White House on the Evening of March 4, 1953 [1]

TOP SECRET

Subject: General

Participants: The President
Anthony Eden, Secretary of State for Foreign Affairs of Great Britain
Ambassador Makins
Secretary Dulles

The meeting was essentially social and held in the living quarters of the White House. There was a general exchange of views with reference to the world situation, the effect of Stalin's death, and finally discussion settled primarily on Middle Eastern matters.

Mr. Eden emphasized the importance of developing MEDO as a bulwark against possible deterioration of conditions in Iran. The President emphasized, in this connection, the importance of peace between Egypt and Israel without which MEDO would be rather meaningless. Mr. Eden agreed but felt that the first thing to do was to push through the Suez settlement and that Naguib could not make peace with Israel without first the prestige of getting the British out of the Suez.

Mr. Eden urged that we should promptly send a high-ranking general to begin the negotiations with Slim. The President suggested that *if* we did this, it might be in order to ask General Hull to go, but the President did not in any way commit the United States to participation in the initial phases of the negotiations.

The President suggested that the United States might have to exercise a freer hand with relation to Iran and the oil situation.

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[1] Copies of this memorandum were sent to Smith, Bonbright, Byroade, and Matthews.

No. 379

611.41/3-553

United States Delegation Minutes of the First Meeting of Secretary of State Dulles and Foreign Secretary Eden at the Department of State, March 5, 1953, 10:15 a. m. [1]

SECRET

UKPT MIN-1

Participants:

U.S.
Secretary Dulles
Ambassador Aldrich
Mr. Matthews
Mr. Allison
Mr. Bonbright
Mr. MacArthur
Mr. Robertson
Mr. O'Connor
Mr. Beale

U.K.
Foreign Secretary Eden
Ambassador Makins
Sir Pierson Dixon
Sir Christopher Steel
Mr. Shuckburgh
Mr. Tomlinson
Mr. Henderson

[Here follows a list of the subjects discussed.]

European Defense Community

Foreign Secretary Eden said that they had sent the French a note in reply to their proposals concerning association with the European Defense Community. [2] He thought they had done what they could to meet the French. They had said that they would consult with the EDC before withdrawing British troops. They could not, however, meet the French request not to move British troops from the Continent. He noted that the press had gone badly in connection with the exchange.

Secretary Dulles said that Ambassador Bonnet had called, as result of a telephone message from Paris, to express the great concern felt by his Government over the British reply to the French proposals. The Secretary said that he had a word or two to say on tactics in connection with ratification of the EDC Treaty. He felt that we were not going to get anywhere until we have brought about ratification of the Treaty by countries other than France. It is at that point that we should marshal our forces. In his opinion to placate the French by dibs and dabs would fritter away our influence. He said that the way to get ratification through is to get other countries to ratify and thereby focus a sense of responsibility on France. The Secretary said that he himself could not get excited about meeting the French position today because they will want us to give more and still more.

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[1] The meeting took place in Secretary Dulles' office. In addition to the subjects discussed in these minutes, the Foreign Ministers also discussed Korea; for a record of this discussion, see UKPT MIN-1 (Special), *infra*. A summary of the talks on the Far East was sent to London, Paris, and ten Far Eastern posts in circular telegram 933, Mar. 7. (841.00/3-753)

[2] For documentation on the British proposals, submitted on Mar. 3, 1953, for association with the European Defense Community (EDC), see vol. v, Part 1, pp. 745 ff.

Foreign Secretary Eden said that he agreed absolutely with Secretary Dulles' statement of the situation. He said that the British were sorry they had had to do what they did.

Secretary Dulles said that he anticipated that the French, when they come to Washington, [3] will want to talk about the Tripartite Declaration, Indochina and North Africa. He felt that it would be best if we were to bring everything into play when the French are standing alone. It was his understanding, subject to check, that there were no serious obstacles to prior action by the other five EDC countries except possibly the protocols. He recalled that during his trip to Europe [4] he had told those other countries that the best thing to do is to get the Treaty ratified and then tackle the protocols.

Foreign Secretary Eden said that the French are being a bit difficult about this whole problem. He said that the matter concerns not only the French but other countries and yet the French were insisting that the other countries should not be told about the British position.

Secretary Dulles said that we should forget about the French for the next thirty days and concentrate on pushing through ratification of the Treaty. He felt confident that French ratification could be achieved as a result of the cumulative pressures we can exert on the French. He pointed out that the consequences of failure would be catastrophic. He noted that whereas Mayer in his opinion was honestly trying to put the thing through, Bidault presented a more complicated problem and no one could know quite where he stood.

Foreign Secretary Eden repeated that he agreed with Secretary Dulles on tactics.

Secretary Dulles said that the next thing to consider was what could be done.

Mr. Matthews said that the Italians were ready to go forward with ratification and that the Dutch were also ready. He noted that Mr. Adenauer had indicated the possibility of German ratification by March 19. He said that the Belgians appeared to be the most sticky on the problem and that Van Zeeland had said he wanted to wait until the French ratification.

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[3] For documentation on Prime Minister Mayer's visit to Washington, Mar. 26–28, see Part 2, Documents 583 ff.

[4] For documentation on Secretary Dulles' visit to Europe in January and February 1953, see vol. v, Part 2, pp. 1548 ff.

Secretary Dulles said that the Belgian situation seemed to reflect more Van Zeeland's own view than the view of his Government. He noted that the opposition was carrying the ball on ratification and that the domestic political situation created difficulties. He felt as a result of his conversations that the Prime Minister's views on ratification were more forthright than those of Van Zeeland. [5]

Mr. Matthews noted that Van Zeeland will be in Washington during the week of March 17. [6]

Secretary Dulles said that the matter could be discussed with him at that time. He said that our Ambassadors in the EDC countries should be told we have a common view in this matter.

Foreign Secretary Eden said that he agreed. He felt that Adenauer is fully aware of the importance attached to early ratification but there was certainly no harm in repeating the position to him.

Secretary Dulles said that it should be understood that the U.S. and U.K. would take corresponding action, not concerted action.

Foreign Secretary Eden replied in the affirmative. He then noted that the French socialists had told the British Ambassador in Paris that what they wanted was an extension of the NATO period to 50 years. He said that he did not know how difficult that question was for the United States.

Secretary Dulles said that the matter would require a two-thirds vote of the Senate. He said that he would not totally exclude the possibility if it was the thing that would finally bring about ratification. He pointed out that the question was one of who acts first. He said that it would be impossible to put anything through the U.S. Senate before ratification by the French. He stated that the French would have to ratify on the assurance that the U.S. would try to get it done. He noted that fifty years is a long time. He said that he would not say today that it could be done and he emphasized that it would not be desirable to hold out any hopes. On an informal and confidential basis he indicated that the possibility could be explored with Senate leaders if it seemed the critical thing to do. He felt that there would be strong pressure on people to do whatever was possible when the critical juncture was reached. He expressed the opinion that it was foolish to put reliance in fifty-year treaties of alliance, since all such treaties are effective only as they reflect the interests and desires of the countries at the particular time. He noted that it would be a national disaster for both the U.S. and the U.K. if the Continent of Europe were to fall into hostile hands.

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[5] For a record of Secretary Dulles' conversation with Belgian Prime Minister Van Houtte on Feb. 7, see the editorial note, vol. v, Part 2, p. 1575.

[6] Documentation on Foreign Minister Van Zeeland's visit to Washington is in files 755.13 and 855.10.

Foreign Secretary Eden said that he did not think the extension to fifty years was necessary nor could it mean a great deal, but he noted that the French socialists might feel that they needed it.

Secretary Dulles noted that the NATO was not limited to twenty-year life and provided the right of withdrawal.

Sir Roger Makins said that from what Secretary Dulles had said he felt that the problem of extending the NATO commitment to fifty years was a point of less difficulty.

Secretary Dulles said that the point might be covered by an exchange of notes. He felt that it was inconceivable that a situation would arise which would lead the U.S. to want to withdraw from the basis position set forth in the Treaty. He felt that it was premature, however, to think in terms of those things at this stage.

Foreign Secretary Eden said that his Government was already tied up with the French in other ways. He said that even if they could do anything more than had already been done it would be most unwise to say so at the present time.

Secretary Dulles said that the French wanted a statement from us concerning meetings of the Three Powers.

Foreign Secretary Eden said that he interpreted the French to mean that they wanted a Political Standing Group.

Secretary Dulles said that his understanding was not that the Three Powers would come together as a political standing group but that they would merely talk together when a critical situation arose. It was his understanding that the French wanted to emphasize that if the EDC goes into force the French would not be dropped out of discussions, in effect that the creation of the EDC would not mean their exclusion.

Foreign Secretary Eden said that his Government was willing to state that French membership in the EDC would not change ordinary relations. He noted that a formal organization for consultation was another thing and would be very difficult for them to do; the Canadians in particular would not like such an arrangement.

Secretary Dulles said that we could give assurances to the French that entering into the EDC would not push them down but to say that membership in the EDC would push them up was another matter. He was inclined to be somewhat evasive on this point at this stage and was against the establishment of tripartite machinery.

Foreign Secretary Eden said that their proposition was very much [like] that of Secretary Dulles. He said they were all for giving assurances without establishing machinery.

Sir Pierson Dixon expressed the view that the extension of NATO to fifty years would help the French.

Secretary Dulles emphasized that formal extension should not be taken for granted.

Foreign Secretary Eden noted that they had said something on the point in their note to the French and they would stand on that for the time being and would consult with the U.S. regarding any further developments.

Saar

Secretary Dulles said that our position, which had been misrepresented in France and Germany, was that there was no organic relationship between the Saar and EDC. He said that the French were not justified in trying to run out on the EDC because the Saar problem had not been settled. He quoted Mr. Adenauer as having said to him, "I am prepared to resume discussions tomorrow on the Saar." [7]

Foreign Secretary Eden said that Bidault had told him that he was quite ready to receive British advice and keep the British informed but he would not accept outside intervention. Mr. Eden said that he had told Bidault that it was important to settle the Saar question before the German elections and Bidault had said that the point was much in his mind. Mr. Matthews, in response to a question from Secretary Dulles, replied that we had not had any detailed reports on the the recent talks in Rome. [8] Foreign Secretary Eden said he thought that we should inquire. Mr. Matthews said he understood that the technical people are meeting on the subject.

Secretary Dulles asked whether we should inquire of Paris and Bonn concerning what is going on about the Saar. Foreign Secretary Eden agreed that this would be desirable and Secretary Dulles instructed that a cable be sent out.

British Arrests of Neo-Nazis in Germany

Foreign Secretary Eden said that Kirkpatrick would see Adenauer shortly and tell him what information the British have on the Neo-Nazis. It was felt that the data in their possession would give grounds for proceedings against the people involved if Adenauer so desired. It was felt that it would be preferable for Adenauer to handle it and it was thought that he would probably want to. He noted that the group had had contacts outside their own country, mostly with Fascists, and that one of the group had had contact East of the Iron Curtain. It was felt that Adenauer would like this evidence. The Foreign Secretary undertook to let us know the position on this matter.

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[7] For a record of Secretary Dulles' conversation with Chancellor Adenauer on Feb. 5, see vol. v, Part 2, p. 1569.

[8] Bidault and Adenauer were in Rome Feb. 24 and 25 for meetings on European economic and political integration. Coled 1 from Paris, reporting on the discussion of EDC, is printed in vol. v, Part 1, p. 741; Coleds 2 and 3, reporting on the economic and political conversations, are printed as Documents 155 and 156.

Trieste

Foreign Secretary Eden said that they had not done anything lately on the matter of Trieste except send the U.S. an unhelpful telegram. [9] He said they were worried because it was felt they could not do enough to help De Gasperi, but what could be done was enough to upset Tito.

Mr. Bonbright said that the present position was that we were sounding out the Italians to find out if they had any further ideas. He said that while we did not exclude the provisional solution, we considered it doubtful. He noted that according to the British message they now shared our doubts. He pointed out that De Gasperi wanted an outcome by which the Yugoslavs would not take over Zone B (which it would be difficult to guarantee) and there would be no withdrawal of the March 20 declaration. [10]

Secretary Dulles said that when he talked with De Gasperi the position was not quite as clear cut in the sense that he did not want to have the declaration withdrawn during his election or the zone annexed. De Gasperi envisaged Zone A and B with minor adjustments but with the timing arranged so that the good news would come out just before the elections and the bad news just after. Apparently De Gasperi wanted the Italians to be able to move into Zone A but wanted assurances we would not revoke the 1948 declaration and would restrain Tito from action in Zone B until the election was over. He pointed out that this depended upon very careful timing.

Mr. Matthews said that De Gasperi had backed away from this since he apparently realized that Tito might not restrain himself.

Secretary Dulles noted that the situation had been as he had described it when he talked with De Gasperi. [11]

Foreign Secretary Eden said that the Italian suggestion was a very dangerous gamble since there was no way to prevent Tito from annexing Zone B. He felt that it would be difficult to do anything before the elections. He noted that the Italians were not pressing them. He felt that the suggested approach was entirely too subtle and he recommended that we should hold the present situation and keep in touch.

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[9] Documentation on this subject is scheduled for publication in volume VIII.

[10] For documentation on the tripartite declaration on Trieste, Mar. 20, 1948, see *Foreign Relations*, 1948, vol. III, pp. 509-520.

[11] For a record of Secretary Dulles' conversation with Italian Prime Minister De Gasperi, Jan. 31, 1953, see vol. V, Part 2, p. 1551.

Secretary Dulles said that he felt that the thing was shaping up toward a solution. He noted that precise timing was delicate. He felt that we should get the problem solved in the next six months and that the solution would help to resolve the military situation in the southeast area of Europe.

Sir Roger Makins asked whether the solution would be along lines of zonal boundaries. Foreign Secretary Eden added, "Subject to slight changes."

Mr. Matthews expressed the opinion that we should not freeze the situation now but should look at it after the Italian elections. Sir Pierson Dixon noted that when there is talk about a provisional solution, the Yugoslavs think that the Italians are trying to improve their position with the view to getting the whole area.

Far East—Control of Trade with Communist China

Foreign Secretary Eden said that the Cabinet had been considering the problem of war materials. He said that a cable had been received from the Prime Minister containing certain suggestions regarding the general position of strategic materials. He pointed out that the British already have a long list of goods that are banned. If the U.S. can show the British that there are goods of strategic importance not included on the lists, then the British are prepared to add those items to the list, but the U.K. will have to ask the U.S. to support the British position in Paris in getting the other COCOM countries to follow the example set by the British.

Mr. Allison said that the U.S. would want to look into the question of additional items and that the problem could discussed by technicians immediately.

Secretary Dulles said that it would be helpful if some statement could be made.

Foreign Secretary Eden replied that there might be some difficulty in making a statement since the existence of the Paris group is not known. With reference to the problem of *shipping*, he said that it was thought that there were a few cases where strategic cargoes were being carried on British ships among mixed cargoes. It is therefore their intention to institute a system of voyage licensing which would prevent the carrying of strategic commodities. He said that this system presented some technical difficulties. He noted that the lists of goods given to masters must be identifiable and that it was hard to apply the voyage licensing system to small ships, that is ships of less than 1000 tons. He pointed out that the system would require Colonial legislation and the Colonies will be asked to take the necessary steps. With regard to *bunkering*, he said that there are already some measures in effect and these will be tightened up. He noted that the problem of the *denial of bunkers* at non-British ports depends on the cooperation of oil companies and local governments. He said that the U.K. was ready to join in making representations to the foreign governments in this question and would take the initiative in making representations to the Commonwealth countries concerned, that is Ceylon and Pakistan. On the subject of *stores*, he said that it may be possible, through administrative controls, to impose inconveniences on non-British ships calling at British ports. The Foreign Secretary said that since these matters were so detailed a note on the subject would be sent to the Department of State. In connection with the problem of *Hong Kong*, the Foreign Secretary noted that a principal difficulty was sabotage trade in non-strategic materials. He said that he thought voyage licensing would go a long way towards limiting this trade.

Secretary Dulles noted that the voyage licensing system was not applicable to ships under 1000 tons and he therefore questioned its effectiveness in connection with trade through Hong Kong.

Mr. Allison added that our real concern is that ships appear to be Communist ships but are under British registry.

Foreign Secretary Eden said that it was his understanding that we would all gain if the ships are under British registry.

Sir Pierson Dixon explained that with the voyage licensing system the British Government would be in a better position to apply the system if ships remained under British registry.

Foreign Secretary Eden said that they would look into the question of the size of the ships if the U.S. was not happy about the exception.

Foreign Secretary Eden noted that the Finnish tanker *Wilma* had delayed in Singapore, that it has received no bunkers and that the master of the ship was afraid to continue his voyage. He said that the master's fears were being encouraged.

Foreign Secretary Eden asked that the U.S. help with the Chinese Nationalists. He said that the British wanted the Chinese Nationalists to observe ordinary international rules.

Secretary Dulles said that apparently the voyage licensing system would obviate any necessity for an extra-legal system. He said that it would be helpful if we could get out a statement before the conclusion of Mr. Eden's visit.

Mr. Allison said that he and Mr. Tomlinson would get together on a statement after the meeting.

Sir Roger Makins said that the U.K. Government would want other countries to institute a voyage licensing system also.

Secretary Dulles said that we will do everything in our power to extend effective controls. He said that we were concerned that pressures would become so great as to require a naval blockade and he thought the British system went a long way to avoid the piling up of such pressures.

Foreign Secretary Eden explained that there was no question of waiting for other countries before instituting the voyage licensing system. He said that they had already stopped transit cargoes, that is they have transshipment control, and they intend to institute the voyage licensing system without waiting. He said that he felt that the Congress does not know that the British are doing things to control shipments that other countries, for example the Dutch are not doing.

Secretary Dulles said that it would be desirable for any statement to recapitulate the things that the British are now doing. He said that he hoped it would be possible to have a statement brought out before he left on Saturday.

Foreign Secretary Eden said he hoped that would be possible.

Stalin

Foreign Secretary Eden showed Mr. Dulles the remarks he proposed to make at the National Press Club concerning Mr. Stalin if a question were asked of him. [12]

Indochina

Foreign Secretary Eden asked whether there was anything Secretary Dulles could tell him about Indochina.

Mr. Matthews said that we were proceeding on Five Power military liaison.

Secretary Dulles said that we were asking our technical people to go to Paris to talk with French technicians so that we would know what the French have in mind in connection with the proposed talks.

Naval Blockade of China

Foreign Secretary Eden said that he was occasionally asked what he thought about a naval blockade of China, and he anticipated being asked that question in Parliament upon his return. He said that in their opinion a naval blockade would be ineffective particularly since it would have to include the Soviet ports in order to be effective. He said that if he were asked any questions about the naval blockade he would say that he had said what had been said before.

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[12] No copy of these remarks has been found in Department of State files.

It was agreed that a second meeting would be held at 10:15 a.m. on Friday, March 6. [13]

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[13] For a record of this meeting, see Document 381.

No. 380

611.41/3–553

United States Delegation Minutes of the First Meeting of Secretary of State Dulles and Foreign Secretary Eden at the Department of State, March 5, 1953, 10:15 a.m. [1]

SECRET

UKPT MIN-1 (Special)

Participants:

U.S.	*U.K.*
Secretary Dulles	Foreign Secretary Eden
Ambassador Aldrich	Ambassador Makins
Mr. Matthews	Sir Pierson Dixon
Mr. Allison	Sir Christopher Steel
Mr. Bonbright	Mr. Shuckburgh
Mr. MacArthur	Mr. Tomlinson
Mr. Robertson	Mr. Henderson
Mr. O'Connor	
Mr. Beale	

Korea

Foreign Secretary Eden said that he would like to know the thinking in connection with Korea.

Secretary Dulles said that the program was not as yet clearly formulated. He explained that the thinking went along the following lines: (1) It is believed that the principal advantage that the Soviet has gained out of the continuance of the war in Korea is that they see large advantages in keeping the U.S. tied down in Korea and the French tied down in Indochina. It is felt that the United States ought to have its military power unengaged in the form of a mobile central reserve. He pointed out that when the U.S. is deeply involved in Korea it is out of position and is in a position of weakness. He said that this was an element that must be taken into account when considering other positions around the world. He noted that the French engagement in Indochina weakens, distracts and divides France politically. He said that this was the principal reason for French weakness in the creation of the European army. He noted that if our enemies could prevent the use of German power in Europe it would be of tremendous benefit to them. Secretary Dulles continued by noting that the Administration thinks in terms of ultimate disengagement of the forces of the United States and France in Asia and the substitution of native forces. He noted that much had been done along these lines in Korea and that we are trying to get the French to do something comparable in Indochina. He expressed the view that if people in Indochina felt they were fighting for their own country it would help. He said that there would also be an advantage in providing technical information to the French. He noted that there were no immediate results to be expected from these measures, that it would be a question of a year or two, that the process was slow, but that the fact of its slowness was not a reason for failure to push as rapidly as possible.

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[1] The meeting took place in Secretary Dulles' office. For a record of the subjects other than Korea, which were discussed at the first meeting, see UKPT MIN-1, *supra*.

Secretary Dulles said that we are faced with two other problems. The first problem is the desirability of creating a threat against the center of the line of which Korea and Indochina are the two flanks. He said that aside from the moral reasons for ending the order to the Seventh Fleet, there was a strategic advantage in recreating somewhat more of a threat which would tend to freeze Chinese forces on the mainland and prevent reinforcement of Chinese forces in Korea, particularly in terms of equipment. He said that there were about 250,000 Chinese forces massed on the border of Indochina and it would be very serious if they entered Indochina. He said that it was believed that the action we have taken will tend to tie down Chinese forces at the center. He noted that we do not have in mind any actual operations from Formosa against the mainland but we wanted to create threat conditions.

Secretary Dulles said that the second problem with which we are faced was that of morale in South Korea. He said that there is a question as to whether morale will be sustained to the degree necessary for the South Koreans to carry the cruel burden of war. He noted that in his conversation with General Van Fleet yesterday the latter had expressed concern about morale if the South Koreans have to lose men and see their economy weakened merely in order to hold the present line. Secretary Dulles said that he himself has long believed that it was never possible for free world forces to remain in the northern reaches of Korea where on the one hand they would be close to Port Arthur and on the other to

Vladivostok. He said that he felt that it would be impossible to meet the forces that would be hurled against UN forces in that area. He said that he would not expand on the subject since such views would encroach on the field of the military.

Secretary Dulles said that although no clearly defined conclusion had been reached he felt it was desirable for Secretary Eden and his colleagues to hear the considerations operating in our minds and perhaps accept those same considerations or add factors of their own.

Foreign Secretary Eden said that he knew that Mr. Churchill would share the views expressed about its being a mistake to go forward to the Manchurian border. He said that all that he would ask was that when a decision was taken his government should have a chance to talk it over. He explained that he did not mean a personal conference between himself and Secretary Dulles, but that discussions should be carried on at the staff level.

Secretary Dulles said that he assumed that there was some mechanism to provide for such consultation. He noted that we do have informal exchanges which in fact often lead to understandings but that both governments were involved in awkward situations in that often they were not in a position to say anything about consultations. He noted that Mr. Eden was often attacked in Parliament and that the U.S. was also attacked for its position.

Foreign Secretary Eden said that he had survived the last time.

Secretary Dulles replied that he had read with interest the minutes of the debate and he noted that the *U.S. News and World Report* had published a full text of the debate.

Foreign Secretary Eden said that the only point he wished to stress was that if there is any big decision obviously they would want to know about it.

Sir Roger Makins asked whether, in connection with the use of the word "disengaged", the U.S. had in mind complete UN disengagement.

Secretary Dulles said that he thought it would always be necessary to have the UN flag flying in Korea. He said that it would be desirable to have more UN strength even if it were not a material addition to the fighting effectiveness of UN forces. He said that additional strength would help to meet criticism directed at the UN. He said that a program of the sort he had outlined would probably result in a negotiation of an armistice in Korea, perhaps a year from now. He did not believe that the Russians would want to keep up the strain of supplying Communist forces in Korea if what they were doing was helping North Korea in keeping a stalemate against South Korea. He said that as long as the U.S. is involved we need a victory, but so long as the South Koreans can hold back the North Koreans, with some help from the U.S., then it is a moral victory for the South Koreans.

Foreign Secretary Eden expressed the hope that the U.S. would talk with the U.K. before taking action in Korea.

Secretary Dulles said that he would assume so. [2]

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[2] A summary of UKPT MIN-1 (Special), prepared by Allison and dated Mar. 6, was transmitted to President Eisenhower. (Conference files, lot 59 D 95, CF 139)

No. 381

Conference files, lot 59 D 95, CF 139

United States Delegation Minutes of the Second Meeting of Secretary of State Dulles and Foreign Secretary Eden at the Department of State, March 6, 1953, 10:15 a.m.[1]

TOP SECRET

UKPT MIN-2

Participants:

U.S.	*U.K.*
Secretary Dulles	Foreign Secretary Eden
Ambassador Aldrich	Ambassador Makins
General Smith	Sir Pierson Dixon, Foreign Office
Mr. Matthews	Sir Christopher Steel, Embassy
Mr. MacArthur	Mr. Shuckburgh, Foreign Office
Mr. Byroade	Mr. Bailey, Embassy
Mr. Bonbright	Mr. Henderson, Embassy
Mr. O'Connor	
Mr. Raynor	

[Here follows a list of the subjects discussed.]

Political Warfare

Mr. Eden stated that it was his understanding that we were developing a new setup to handle political warfare and wondered if we desired to discuss the matter.

The Secretary replied that this was a matter which was still being studied and that a new setup had not yet been put into operation.

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[1] The meeting took place in Secretary Dulles' office. A summary of the minutes was transmitted to London (repeated to Cairo) in telegrams 1775 and 1776, Mar. 7. (774.5/3-753)

Egypt

Mr. Eden opened the discussion by remarking that he had noted that the U.S. press had stated that the U.S. had been able to bring about a settlement between the U.K. and Egypt on the Sudan which encouraged him to hope that a similar result might be achieved on the defense question. He referred to the "Bowker–Byroade" paper outlining the five-point package and agreed notes on tactics. [2] He said that he had, since arriving in Washington, received a telegram stating that his government was prepared to go ahead on negotiations and very much desired the help of the U.S. in these negotiations. He cited the appointment of Field Marshal Slim, stating that the British Ambassador to Egypt had first requested this and that Her Majesty's Government had felt it to be a good idea in order to have a soldier, Slim, dealing with a soldier, Naguib. Mr. Eden added that the Prime Minister felt we should get at this as quickly as possible because at the moment the Egyptians were relatively quiet and also because the Australians were being somewhat difficult over the delay in the arrival of Slim in Australia.

The Foreign Secretary asked if we could provide a good soldier on our side so that the team negotiating in Cairo would be balanced by having two diplomats and two soldiers. Mr. Eden expressed the view that if we started promptly he did not see why the negotiations should consume too much time. He said there was much in the proposals which Nagiub would like and very little which would be liked by the British House of Commons.

The Secretary commended Mr. Eden for the excellent job which had been done on the Sudan which he hoped and believed would pay dividends. He stated that he felt it was a good idea for Slim to go out right away in order that the momentum engendered by the successful Sudan negotiations could be capitalized upon. Contrarywise, if there are delays we might lose the benefit of this momentum and incidents might take place which would injure the atmosphere.

The Secretary said that while the U.S. had not envisaged the participation in these talks of a U.S. military figure that we were open-minded on this point. The Secretary suggested that this be discussed in the later meeting with the President. [3] The Secretary stated that he was in general agreement with the paper which had been produced by his predecessor in office. He then referred to the comment in the letter the President had received from Prime Minister Churchill to the effect that the British were only willing to go as far as case "A" in the paper. [4]

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[2] Under reference here is the report on the U.S.-U.K. talks on Egypt, held at London, Dec. 31, 1952–Jan. 7, 1953, which included the text of five memoranda on Egypt and the Middle East Defense Organization. A copy of this report is in file 774.5/1-1453. For reports on the talks, see vol. IX, Part 2, pp. 1743 ff.

[3] For a record of the meeting with President Eisenhower, see the memorandum of conversation, *infra*.

Mr. Eden confirmed that case "A" was as far as the British were willing to go. He said the Cabinet felt cases "B" and "C" do not meet the needs of avoiding a vacuum in the defense of the Middle East, vacuum which he said would expose the West to blackmail (which he did not in this context define). He emphasized that he felt the Cabinet would be unwilling to go much below case "A" and that he was unable to commit the British as to what their position would be on "B" or "C" should the Egyptians say no to "A". [5]

The Secretary indicated that this appeared to be a substantial change on the part of the British subsequent to the talks in January and inquired as to the reasons for such a change of position.

Mr. Byroade reiterated that there seemed to be a considerable shift from the British position during the London talks. He said that both of us definitely preferred and wanted "A" and that no one, including our Joint Chiefs of Staff, likes "C" but he added both sides in London had appeared to agree that "A" could not be attained and that, therefore, a compromise from this position would be necessary.

Mr. Eden injected that the Cabinet had never taken a decision of the type just described.

Mr. Byroade replied that he had meant that there had been such an agreement on the working level during the talks in London.

Mr. Eden stated that he did not mean to imply that minor adjustments in "A" could not be made. On the other hand, he also could not say that the British could accept case "B". He added that all plans for the defense of the Middle East rested on the Egyptian base, that it is the only base which exists in the area and the risk of its not being in operative condition was too great a risk to take.

Mr. Byroade expressed the view that paragraph 15(d) on page 4 of the paper expressed the general sense of the talks in London.

Mr. Eden inquired if the U.S. position was that we were willing to see a situation where we would be without a base in the Middle East. He added that this was not what he had understood from his discussion with the President. [6]

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[4] Presumably the reference is to the "United Kingdom Memorandum on Defence Negotiations with Egypt". See telegram 1524 from Cairo, vol. IX, Part 2, p. 1920.

[5] Cases A, B, and C comprised various solutions to the the Suez Canal Base problem. Case A would have left the base largely under British control, while case C would have left it largely in Egyptian control. Case B offered a solution somewhere in between A and C. For text, see the editorial note, vol. IX, Part 2, p. 1931.

[6] See Document 378.

The Secretary replied that our position was that we wanted a base if it was possible to get one. He said that the State Department and the President had approved the London paper feeling that this paper provided the flexibility which it might be necessary to have. Mr. Dulles added that it would be necessary for us to restudy with our military this entire question before we could agree to associate ourselves in the endeavor if it were to be restricted to case "A". He would have no objection to the British trying case "A" and we would help on this if we could. But, he felt we could not be totally indentified with *case* "A" *only* without further study of the matter. On the other hand, if the British were prepared to follow the proposals as outlined in the paper he would be able to agree today to go all the way on this with the British.

Mr. Eden said that frankly he didn't want to see this degenerate into another Persian situation. In other words, he did not want to see us giving more and more and more, ending up with no base at all.

The Secretary replied that while this might be right it would require additonal study on our part and that he could not give an answer on this proposal in a matter of a few hours.

Mr. Eden made the suggestion at this point that we go all out together on "A" and if this should prove unsuccessful that we then consult as to what to do next.

The Under Secretary said as logical as this might sound, if it was followed and "A" was rejected as he thought it would be, we would have a situation resembling the Persian situation in that we would be constantly pressing the British to come up with something more and that this would create an unhappy situation between us.

Mr. Byroade commented that this had been reviewed with our Joint Chiefs of Staff who felt we should get something as close to "A" as we could. He said the Chiefs do not like "C" but believe it should be taken if that is all which can be obtained.

Mr. Eden pointed out that "C" means no base.

The Secretary stated that he felt the wisest procedure would be to get what we could at this time because later on we might not be able to get as much as we can get now. He thought the negotiators should be given authority to make the best possible deal which can be made at this time and as rapidly as possible. Six months from now we probably would be unable to get what we could get today.

Mr. Eden interjected to say that under case "C" the base would be abandoned and we would have to trust the Egyptians to maintain it. He questioned the ability of the Egyptians to do this.

The Under Secretary said that, of course, it would take time under this case to reactivate the base but that our military attached considerable importance to the Libyan air bases. He added that while the situation would admittedly be bad he felt it would not be irretrievable.

Mr. Byroade said that he had personally felt that we might be able to come out a little better than case "B". He added that the theory of cases "B" and "C" was to train the Egyptians to take over as much as they could.

The Under Secretary said that we would hate to have to go below "B" but that he felt we should attempt to reach agreement to accept "B" if necessary.

The Secretary said he thought it was somewhat unrealistic to divide the matter into set formulae as there would be infinite gradations. He felt that striking out all of the proposals except "A" would inject an undue amount of rigidity as whatever final solution might be arranged almost certainly would not be precisely "A", "B" or "C". He felt the negotiators should work out the best deal obtainable. He would hate to see the matter left on "A" or nothing. He felt many arrangements would be better than nothing.

Mr. Eden said this was not the U.K. view. He said they were not prepared to give up everything they had which was based on treaty rights for an unsatisfactory base arrangement. There would be no satisfaction to them in thus being humiliated.

The Under Secretary again referred to his hope that we would avoid a situation where we have to keep pressing the British with the resulting irritations of such a procedure.

The Secretary said he was apprehensive of missing the opportunity of making a deal and that if this happens the situation might deteriorate.

Mr. Eden said that he was worried about case "A" being "frittered away", giving Naguib a triumph on a basis which he could not possibly get approved in the House of Commons. He added that the British would much rather stay in the Canal on the present basis.

Mr. Byroade said that much would depend on the tactics employed and did not feel that we should put up case "A" specifically or, indeed, any specific plan but should discuss the problems involved and the functions which needed to be carried out by someone frankly with Naguib. He had felt that if this were done in the end we might come out fairly well provided the negotiators possessed sufficient flexibility.

Mr. Eden said that there were points as to case "A" which London could concede. He said, for instance, that he felt the number of men listed under case "A" might well be too many.

Sir Pierson Dixon said he wondered if the approach in the paper where an attempt had been made to formulate successive steps was the best way to go about the problem. He wondered whether it was not better to agree upon a preferred objective, try to get it and if unsuccessful then to consult on the next step.

Mr. Eden asked if we could not reach agreement to go all out together to get case "A" with the U.S. sending out a soldier to participate in the negotiations with Slim, with the U.S. making it clear to London that for its part it could not exclude "B" but would exclude "C".

Sir Pierson Dixon added the suggestion that this be phrased something between "A" and "B" rather than "B" as to the U.S. position.

Mr. Eden said that he would be willing to try out a formula of this type in London although he would have a "devil of a time with it".

Following additional discussion of this point the British side drafted a formulation along the above line which was taken to the meeting at the White House for further discussion (see Tab A for this formulation [7]).

There was some discussion at this point as to whether a U.S. military representative could reach Cairo in time for the opening of the talks and Mr. Eden expressed the view strongly that a U.S. military representative should participate from the beginning.

The Secretary asked what consideration had come up which had caused the British to exclude the possibility of case "C".

Mr. Byroade pointed out that there had not been much difficulty on this point during the London talks and that case "C" had been included in the original Foreign Office memorandum. He said that there had appeared to be full agreement at his level that no case at all was worse than "C".

Mr. Eden replied that the London paper had not been approved by Governments. He said the British Chiefs had all along believed that something approaching "A" was required. He reiterated that the British would prefer to stay on in the Canal on the present basis than to accept "C". He said we should realize that this was the hardest kind of an issue for the United Kingdom Government and naturally one which had to be decided at the governmental level. He said thousands of Britishers had been in Egypt, fought in the desert, etc., and that any kind of concession would be accompanied by all of the well-known charges of scuttling, etc.

Mr. Matthews commented that he believed our Chiefs were even less keen than the United Kingdom Chiefs had been as to case "C".

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[7] No Tab A was found attached to the source text nor has a copy of the draft formulation been found in Department of State files. For the final text of the draft, see the attachment to the memorandum, *infra*.

Sir Pierson Dixon stated that the more the British military examined case "C" the less they liked it. In addition, he said that case "C" would be politically impossible in the United Kingdom.

Mr. Eden confirmed Mr. Dixon's statement and said that while adornments to case "A" were possible the British wanted to keep a base.

The Secretary said there was one further aspect of this problem which he wanted to raise as he noted the absence in the paper of any references to peace between the Arab states and Israel. He said there was strong pressure on us to maintain Israel's strength and that without peace the United States might find itself in a position of financing an arms race between these two groups. He added that he felt that the Israeli today possessed a greater military potential than the Arabs. He said in his view once agreement could be reached on the first stages of the package with Egypt that the time might be ripe for beginning to bring about peace between the Arabs and Israel. The agreement might place Naguib in a strong enough position to open this up.

Mr. Eden expressed the view that he thought Mr. Dulles' evaluation as to timing was about right. He thought the matter could possibly be brought into the Egyptian talks at the proper point. He said Iraq would want to come in on this. He said that the United Kingdom was as keen as the United States to see something done on this matter. He thought the problem of the Arab refugees was very importantly tied in and that any progress which could be made on this in the interim would enhance the chances of peace.

The Secretary said he understood that the refugee problem was not a question of money and that monies already authorized could not be spent. He said as far as he could see, the Arabs seem to desire to keep this issue alive as a monument to the "monstrosity of Israel".

Mr. Eden said he didn't know if it was practical but if Israel could offer to afford compensation on an individual basis he thought such a step might materially improve the atmosphere. He said he did not mean to suggest that this could or should be done on a large scale.

The Secretary said, of course, the money for this would probably have to come from the United States and he doubted if the plan would be feasible except as a part of a final settlement.

Mr. Byroade added that this had been the Israeli position but he thought they had moved somewhat from it recently. In answer to a British inquiry, Mr. Byroade said that as a very rough estimate he would guess that the face value of compensation claims totaled somewhere between $500 and $800 million. Mr. Byroade added that a good many considerations were tied into the settlement but that he was hopeful that Naguib would be willing to start on this if progress could be made on the base question. He said in the process a hard attitude on certain points would probably have to be taken with Israel in Israel's own interest. For instance, he said he thought Israel would have to give up some, although not much, territory. He thought she would have to do something on the blocked accounts.

The Secretary said he thought it was clear that there was common understanding between us that peace between Israel and the Arab states is an essential component of this whole problem and that we should feel free to raise this as an active issue as soon as the atmosphere makes it feasible.

Mr. Eden expressed agreement and added that he felt we should do what we can in the meantime on resettlement.

The Secretary then referred to page 10 of the paper and said that the new Administration did not feel itself fully committed to the present MEDO plan in the textual form contained in the paper pending an opportunity for further and careful study of it. He said he might have suggestions for improvement. He said, for instance with respect to Israel, he questioned whether the Arab states should have a veto power over the admittance of Israel at some later date which the present language possibly gives them.

Mr. Eden said this raised two difficulties. The first was that this proposal was a part of the package and might have to be referred to at an early stage in the negotiations and that Naguib at such a time might request details. The second point was that any reference to Israel at this stage would probably result in the Arabs saying "no". He expressed the view that drafting could be worked out to cover the question of Israeli admittance.

Mr. Byroade added that the intention of the paper was to express a general understanding and that we had never thought a paper in such an exact form should be handed to the Egyptians. It would be better to talk first with Naguib in a general way making it appear that he was playing a part in developing the proposals.

Mr. Eden said he thought these were good tactics but it was important to know where to lead General Naguib.

The Secretary commented that this was a matter of negotiating tactics and that if we should get into the details prior to reaching an agreement on the base, the negotiations might drag on indefinitely.

Sir Pierson Dixon raised the question as to whether bringing the problem of Israel into the talks with Naguib would not constitute making the project too big to handle at one time stressing the importance of phrasing. He inquired if the Secretary had any further fundamental objections to the MEDO plan as drafted.

The Secretary inquired about Pakistan.

Mr. Eden replied that there would be no difficulty with the Arabs on Pakistan but that it would create a problem with India and he doubted if Pakistan should be included in the original membership.

Mr. Byroade said that he had talked recently informally with Zafrullah on this question who had expressed the view that it would be better to make no reference to Pakistan unless we wanted Pakistan to join at the outset. In Zafrullah's view this would merely create problems for Pakistan without giving them results. On the merits of the proposal, Zafrullah indicated that Pakistan would like to be in as he felt it would strengthen the Pakistani position. He agreed with Mr. Eden that Nehru would be considerably upset should Pakistan be brought in.

The Secretary concluded this discussion by reiterating that the present Administration which had inherited this paper required some latitude of time in which to study it.

Iran

The Secretary opened the discussion by saying that he did not know whether or not the British agreed with our estimate of the present political situation. He said that we felt while it was still obscure that the authority of the Shah had probably largely and permanently disappeared. We felt Mosadeq would probably come through the present situation remaining in authority. We felt further, however, that with the Shah gone or his authority gone that when Mosadeq disappears by one means or another, that there was increased doubt as to whether there would be an orderly transition to another government.

The Secretary said that the presently contemplated statement on the oil settlement indicates that if Mosadeq rejects the proposal we do not expect to come back with another form of proposal. [8] The United States position under this contingency is to hold this matter in suspense. We would not contemplate large-scale U.S. financing of the Mosadeq government. We would wish to be tolerant, however, in permitting minor measures sufficient to keep Mosadeq barely afloat and thus avoid the disastrous possibility of the Communists replacing him. We feel the diminution or the disappearance of the Shah's authority and prestige as well as those of the army seriously increase the risk of the Communists replacing Mosadeq if by one way or another he should fall. We said we had in mind permitting minor activities such as small sales of oil, letting the Jones technicians go to Iran, etc.

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[8] Documentation on the oil statement then under consideration by the United States and the Feb. 20 proposals by the British for a settlement of the oil question is scheduled for publication in volume x.

At this point the Secretary referred to a telegram just received from Ambassador Henderson advising holding up the statement on the oil question. The Ambassador felt it might be interpreted as indicating that the oil talks are continuing and that Mosadeq might find a way to capitalize on this in his struggle against the Shah. The Ambassador had pointed out that opposition to Mosadeq and support of the Shah were proving to be more stubborn than had been expected.

Mr. Eden said that this opposition undoubtedly meant Kashani but admitted a moment later that additionally probably Army elements could be included in the opposition.

At this point there was considerable discussion about the release or non-release of the proposed U.S. statement in the light of the fact that the Foreign Office had been instructed last night to issue to correspondents in London advanced guidance on it when the British here had been under the definite impression that it would be issued at noon today. In so far as the meeting was concerned, the matter was left at the point of a telephone call being put through to London by the British to ascertain what the situation was there with respect to the handling of the question with the press. In the course of this discussion Sir Pierson Dixon felt that despite the reasoning of Ambassador Henderson there was a strong argument remaining for issuing the statement. He felt that by issuing it the result might be to force Mosadeq to become the champion of the oil proposals.

Mr. Eden observed that if the political analysis is correct, and in this connection he paid a warm tribute to Ambassador Henderson's acumen, he believed that little grants of cash or other assistance would be considerably less harmful than for Americans to be permitted to go to Abadan. He felt the presence of even a few Americans in Abadan would create a very serious situation public opinion-wise in the United Kingdom and might do considerable harm to U.S.-U.K. relations. He pleaded for us to leave anything pertaining directly to oil alone, indicating that other forms of assistance or acts would be much less difficult in the U.K.

There was some discussion at this point between Ambassador Aldrich and the Under Secretary as to whether Mr. Jones really desired or intended to send out technicians. The Under Secretary said that the latest word we had had here only a few days ago was that Mr. Jones felt himself committed to do so unless the United States Government asked him not to do it and that he was awaiting a decision which he expected to have when he returned North in about a week's time.

Mr. Eden reiterated the view that it would be foolish to endanger Anglo-American relations on operations of small importance such as this. He said that in the United Kingdom it boiled down to a question of pure politics resting on the fundamental proposition that in the United Kingdom Abadan in U.K. eyes is regarded as stolen property and that any move which would seem to indicate that the Americans were stepping into Abadan would be received most adversely.

The Under Secretary pointed out that we also have a public opinion problem.

The Secretary said he thought we would have to play certain aspects of this problem by ear as the situation developed. It is important to attempt to prevent a complete collapse in Iran. He was personally not certain that in the long run the Communists could be stopped if they pressed the issue but even the gaining of time would be important. It might be possible that in the immediate future the USSR will lose interest in external aggression although, of course, the reverse also was possible. The major objective for both of us should be to keep going in Iran a government which will be non-Communist. Additionally, he felt that no great premium should be paid Mosadeq for acting as he has. There should, for instance, be no major United States purchases of oil but, on the other hand, we should do what we can on a small scale to keep the Mosadeq government in existence.

Mr. Eden again reiterated the importance of rendering this help in ways other than directly connected with oil.

The Secretary said he thought this probably would be the proper course.

Egypt

At the close of the meeting a revised British draft (see Tab A) on a possible formula which Eden might put up to London was handed to the Secretary. The Secretary indicated that he felt this should be discussed in the following meeting with the President.

Mr. Eden reemphasized that he felt it was important for our military man to go out at the same time as Field Marshal Slim.

There was some discussion about not delaying the negotiations pending the arrival of our military man. Mr. Dulles indicated that he thought the President might find it possible to send out General Hull, Vice Chief of Staff.

No. 382

Conference files, lot 59 D 95, CF 139

Memorandum by the Secretary of State of a Meeting at The White House on March 6, 1953, at Noon [1]

TOP SECRET

Subject: Political Discussions with the British

Participants: The President
Anthony Eden, Secretary of State for Foreign Affairs
Ambassador Makins
Secretary Dulles
General W. B. Smith
Amb. Winthrop Aldrich

Mr. Dulles reviewed the political conversations which had taken place dealing with (1) Europe, particularly EDC; (2) the Far East; (3) Egypt; (4) Iran. [2] He pointed out that there had been substantial agreement with respect to the first two items. With respect to the third item, he pointed out that certain questions were open, which it was hoped would be resolved on the basis of the next draft [3] which Mr. Eden would recommend to his Government and which Mr. Dulles recommended to the President.

The President agreed to the draft, pointing out, however, that United States participation in negotiations between Egypt and the United Kingdom arising out of their treaty relationship would have to be brought about through the friendly desire of the Egyptian Government to receive U.S. participation. Mr. Eden suggested that in view of the dependence of Egypt upon the later aspects of the negotiations, particularly MEDO and military equipment, he was confident that the Egyptian Government would welcome U.S. participation.

The President said that he would nominate General Hull to be military adviser to Ambassador Caffery, and he called General Collins on the telephone to assure that General Hull would be in readiness to depart, if it seemed appropriate, on Monday.

With reference to Iran, Mr. Dulles expressed the view that the situation was so dangerous and unpredictable that it might be necessary to act promptly and that the United States would have to have a considerable measure of discretion as to what it did.

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[1] A summary and the text of the agreed draft (see attachment below) were transmitted to London in telegram 5956 (repeated to Cairo), Mar. 7. (774.5/3-753)

[2] For the records of these meetings, see Documents 379–381.

[3] Printed below.

The President suggested that Ambassador Henderson should be advised that, if he felt that his own presence there was likely to be terminated by action of the Iranian Government, he should anticipate this by announcing that he was being called back for consultation, and that it might be desirable for the State Department to have ready someone to take his place.

Mr. Eden urged that any measures which the United States took to maintain a state of friendly stability in Iran should be in terms of aid unrelated to any purchase of oil or activation of the refinery. He said that the presence there of any American technicians would arouse very bitter resentment in the United Kingdom and be apt to create serious parliamentary difficulties. This matter was left unsettled but with U.S. freedom of action reserved.

[Attachment]

Draft Paper on Egypt Agreed by the Foreign Ministers of the United States and the United Kingdom

TOP SECRET WASHINGTON, March 6, 1953.

Negotiations with the Egyptian Government will be undertaken in Cairo by representatives of the two Governments, including military officers of high rank.

The objective will be to secure an agreement on the basis of Case A. Should this prove impossible, the United States Government wish to make it clear that in their view, it may be necessary to fall back on an arrangement lying between Case A and Case B and in the last resort on Case B.[4]

If the Egyptians prove completely intransigeant, a new situation will be created which the two Governments will discuss.

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[4] Regarding Cases A and B, see footnote 5, Document 381.

No. 383

Conference files, lot 59 D 95, CF 139

Communiqué on the United States–United Kingdom Political Talks

WASHINGTON, March 7, 1953.

In addition to the discussions on economic and financial problems,[1] the Foreign Secretary, Mr. Eden, and Secretary of State

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[1] For documentation on the economic and financial talks, see Documents 384 ff.

Dulles discussed the international political developments that have taken place since their conversations in London early in February.

1. They exchanged views regarding developments in the Soviet Union.

2. With respect to Europe, particular attention was given to the subject of the proposed treaty for a European Defense Community. Both the United States and United Kingdom Governments are concerned that the treaty be ratified as speedily as possible, so as to provide further continental unity which is essential to the most effective operation of the North Atlantic Treaty Organization.

3. They also considered the situation in the Middle East with particular reference to the major problems in the area, and were in agreement on the urgency of furthering constructive solutions in the interest of all concerned.

4. With respect to Iran, Mr. Eden said that Her Majesty's Government were decided to stand on the proposals presented to Prime Minister Mossadegh on February 20, 1953. [2] These proposals were the result of many conversations and careful study of all the factors involved. In the opinion of the United States Government these proposals are reasonable and fair. If agreed to:

(a) Iran would retain control of its own oil industry and of its own oil policies.

(b) The problem of compensation would be disposed of in such a way that there would be no sacrifice of the principles which form the very basis of international intercourse among free nations, and the payment of compensation would be fully compatible with the rehabilitation of Iran's economy.

(c) Iran would have full opportunity to enter into arrangements whereby it could sell its oil in substantial quantities at competitive commerical prices in world markets.

(d) There would be placed at Iran's disposal sufficent funds, to be repaid in oil, to meet its immediate financial problems pending resumption of the flow of revenue from its oil industry.

5. The two Secretaries of State also considered the Far Eastern situation. They reaffirmed the importance of preventing the shipment of strategic materials to the mainland of China. Mr. Eden stated that Her Majesty's Government in the United Kingdom, in addition to the system of controls already in force, had decided:

(a) To introduce a new system of licensing vessels registered in the United Kingdom and Colonies so that strategic materials from non-British sources could not be carried to China in British ships;

(b) To take additional steps designed to ensure that no ships of the Soviet bloc or other nationality carrying strategic cargoes to China should be bunkered in a British port.

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[2] Documentation on the British proposals of Feb. 20, is scheduled for publication in volume x.

The United States and British Governments will concert their efforts to secure the cooperation of other maritime and trading nations in the measures designed to exclude the shipment of strategic materials to the mainland of China.

6. Under arrangements made for the common defense the United States has the use of certain bases in the United Kingdom. The prior understanding was confirmed that the use of these bases in an emergency would be a matter for joint decision by Her Majesty's Government and the United States Government in the light of the circumstances prevailing at the time.

Economic and Financial Conversations

No. 384

611.41/3-553

United States Delegation Minutes of a Meeting of Secretary of State Dulles and Foreign Secretary Eden at the Department of State, March 4, 1953, 5 p.m.[1]

SECRET

WET MIN-1

Participants:

U.S.

Secretary Dulles
Secretary Humphrey
Mr. Stassen
Mr. Douglas
Ambassador Aldrich
Mr. Burgess
Mr. Bissell
Mr. Linder
Mr. Overby
Dr. Hauge
Mr. Gordon
Mr. O'Connor
Mr. Corbett—*Rapporteur*

U.K.

Foreign Secretary Eden
Chancellor of Exchequer Butler
Ambassador Makins
Sir Edwin Plowden
Sir Frank Lee
Sir Leslie Rowan
Sir Pierson Dixon
Mr. Rickett
Mr. Shuckburgh
Mr. Clarke
Mr. Armstrong

[Here follows a list of the subjects discussed.]

Secretary Dulles: The Secretary welcomed the British Delegation and indicated the importance which he attached to their visit. He appreciated the significance of the economic and political problems with which these discussions are to deal. He assured the British Delegation that we would give careful consideration to their views.

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[1] Drafted on Mar. 5.

Press Release:

The press release to be issued following the first session was agreed upon.[2] Both delegations spoke of the necessity of a communiqué following the close of the meetings.

Schedule of Meetings:

The schedule of meetings distributed by the U.S. Delegation was accepted by the British.[3] The British, however, reserved their views on whether the meetings could be concluded by Saturday. The Secretary had mentioned that his schedule called for him to be in New York Saturday evening and he had thought it was in accordance with British desires that we wind up the sessions by Saturday.

Presentation of British Proposals:[4]

Foreign Secretary Eden: The Foreign Secretary said that the British proposals had been talked over a great deal within the British Cabinet and among the members of the Commonwealth. All were agreed that at this stage a strong free world economy was needed to underpin the defense effort, to supply the material needs of the people and to attract to our side those people who are still on the fence. The keynote of the British proposals, he continued, was one of economic expansion and consolidation of the free world. The political and economic problems of the free world cannot be solved by the creation and maintenance of blocs, whatever may have been the justification for this approach in the past. There appears today some stagnation in trade, a tapering off of inflationary forces and some leveling of the defense effort. The Foreign Secretary felt that the free world must move forward with positive policies lest political and economic disintegration occur. He would hope that some scheme might be devised to achieve progress without a continuation of annual appropriations of U.S. assistance.

The only way forward, as he saw it, was to take action on a combined basis. At this point, he would like to emphasize that none of the Commonwealth was committed to the particular course laid out in the British proposals. The thinking so far has been tentative and, indeed, no Cabinet decisions have been taken. The U.K., however, has been asked to explain to the U.S. Government the broad purposes of the Commonwealth meeting, such as freer trade and currencies on a collective basis.

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[2] For the text of this release, see the *New York Times*, Mar. 5, pp. 1 and 4.

[3] A copy of this schedule is in Conference files, lot 59 D 95, CF 139.

[4] Regarding the British economic proposals, see Document 375.

As the Foreign Secretary saw it, there are three main questions which the U.S. might ask the U.K.:

1. Can the U.K. and the Commonwealth play their part successfully?
2. What will be the impact of these proposals on Western Europe?
3. What is the U.S. expected to do?

In response to the first question, the U.K. thinks it can undertake the responsibilities entailed in the proposals. The Foreign Secretary laid great stress on the risks of doing nothing. The plan, he believes, constitutes a move in the right direction.

With respect to the second question, the U.K. would not have put the plan forward had it believed a disruptive effect upon Western Europe was involved. The U.K. did believe it was necessary to broaden our approach to the economic problems of Western Europe from a regional to a world-wide setting. Of course, problems are presented in this effort to broaden our approach. The Foreign Secretary was of the opinion that they could be overcome and the U.K. Delegation had plans for further discussions of these matters with the Western European countries.

With respect to the third question, it was almost axiomatic that no scheme of this sort could come into being unless the U.S. put its weight behind it. As the British saw the problem, the U.S. should adopt "good creditor" policies and provide financial support to create confidence and to bolster British reserves.

The U.K. was not now seeking any decisions from the U.S. It wished to explore these matters with the U.S. However, there were questions which the U.K. would wish to put to the U.S.:

1. Are the U.K. proposals sufficiently in line with views of the U.S. to permit discussions with Western Europe and to continue discussions within the Commonwealth? Or is the U.K. working along the wrong lines? If so, the U.K. would wish to be told.
2. Are any of the basic points of the British proposals unacceptable to the U.S.?
3. What can the U.K. say to Western Europe and the Commonwealth about U.S. reactions and U.S. ideas?

The Foreign Secretary emphasized again that these discussions were only exploratory and did not involve negotiations. Indeed, even if these discussions were for the purpose of negotiation, the U.K. would have to hold itself free to decide if it could go ahead with any plans that might be evolved.

Chancellor of the Exchequer Butler: The Chancellor stated that he had been in close touch in the past year with the Finance Ministers of the Commonwealth. He referred to the Commonwealth Finance Ministers meeting of January a year ago and to the recent meeting of the Commonwealth in London.[5] He felt he knew their problems and their thoughts concerning these problems. He also thought that one could ask the question: Why should the Commonwealth do anything at this time? Improvement, albeit slight, was being made. This improvement is due to the terms of trade, to import cuts and lastly to increased confidence in sterling. This confidence is what the British wish to keep going.

There have been changes in the directions of internal policies; civil government expenditures have been held at a steady level despite increasing costs; the defense burden is of unrivaled size in peacetime history; and overseas commitments are great. The Chancellor did not think the U.K. and the sterling area could go on indefinitely with the present external finance system, especially when one considered the small reserves with which the vast transactions of the sterling area are being supported.

The proposals have been put forward as a basis of talks with the full support of the Commonwealth although no final decisions or commitments can be undertaken. Basic ideas in these proposals involve (1) freeing of trade, even though there were still groups which favored the increase of preferences within the sterling area, and (2) convertibility of sterling, which simply means making it a good currency.

What are the conditions which are necessary to carry out these ideas? The Chancellor listed the following:

1. Strong anti-inflationary policies within the U.K.
2. Combined efforts on the part of the dollar and non-dollar world to bridge the dollar gap.
3. The provision of financial support.

The Chancellor thought that those who had made plans after 1945 had failed to link properly the problems of finance and trade. Some of the present British proposals are aimed at a comprehensive and realistic approach to trade and finance problems.

The Chancellor did not believe that convertibility at a fixed rate is a possibility. It would be considerably more expensive than the same operation at a floating rate. He remarked parenthetically that from the point of view of a social democracy a fixed rate would be much better. The U.K. would try to keep the rate as stable as possible. If support is adequate, stability would be possible while allowing market forces to operate. He commented on recent decisions to allow market forces to operate in the field of agricultural commodities. A matter which the Chancellor said was not a detail was that of financial support. He did not believe that the operations of the sterling area could be successfully conducted at the present level of reserves. While the British have a credit in the IMF (1.3 billion dollars—which is the British quota) this would not be adequate. The Chancellor stated that he would explain what he thought adequate financial support would have to be when the appropriate time in the discussion came.

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[5] Regarding the Commonwealth Conference in December 1952, see Documents 371 and 372.

The Chancellor then addressed himself to the question of the use of existing international institutions. In general, he believes it would be desirable to continue to try to make the best use possible of the institutions which we now have. He thought that the proposal to have a joint committee of the IMF and the GATT was necessary to bring the problems of trade and finance together. In any event, he would prefer to make some valiant effort to give the Fund more life. While "some of us" are impatient with the fund, he felt a good case could be made for its continued use.

The Chancellor illustrated the second reason for his preference for existing international institutions by referring to the case of India. He feels that India would resent it deeply if the West (or NATO) should undertake to establish a small committee to deal with world trade and finance problems. He said that for some strange reason the Indians seem to have a passion for the Monetary Fund.

With respect to Europe, he believed only a collective approach for the free world would make it possible to bring the Continental countries along in a broader finance and trade system than now exists. He believed that if the EPU were to be linked in some fashion to the IMF that this would constitute a salutary influence on the attitude of the Western Europeans towards further world-wide steps. In any event, he promised to develop more detailed British views on the future of the EPU. Certainly, it would be much easier for the U.K. Government politically to say that a working international organization is not to be destroyed in efforts to make further progress on a broader basis.

The Chancellor then addressed himself to the matter of "good creditor" policies. He recalled that he had coined the phrase, fortunately or unfortunately, "trade not aid". Now it seemed somewhat difficult for him to explain precisely what this phrase meant. He made several remarks on the generosity of the U.S. in providing the means with which other nations could meet their deficit with the U.S. Indeed, he felt that the extent of U.S. generosity was not fully known. However, now all countries, including both debtors and creditors, feel that a greater independence must be achieved. The U.S., therefore, must find some method to finance its surplus with the world. At this time he would not go into details with respect to "good creditor" policies but he felt that tariffs and shipping, for example, were vital features of "trade not aid".

Secretary of State Dulles: The Secretary stated he was glad to have had this exposition of British views and that he attached great importance to the objectives which had motivated the British and other members of the Commonwealth. He thought the British concern with the workability of the free world economy was all the more appropriate when reference was had to the statement by Stalin last fall. [6] In that statement Stalin laid down lines of guidance to Communists all over the world. They were to believe that the free world had inherent weaknesses and basic elements of divisiveness. Stalin felt that the addition of West Germany and Japan to the free world economic system only made problems of competition for markets more acute and thereby added force to economic disintegration. He even suggested that present Allies would fall out with each other and perhaps war among themselves. With that knowledge, the Secretary indicated that we would indeed be foolish if we did not treat seriously the economic problems of the free world. These trade and finance problems ranked with the problems created by the military situation—they were, in fact, closely intertwined because of their interdependence. Therefore, the U.K. exposition had evoked a responsive note in our minds.

Foreign Secretary Eden: The Foreign Secretary professed not to understand all of the ins and outs of the economic problems which had been discussed but he could not fail to be impressed with the importance which the Commonwealth countries attach to the need of going forward. He very much hoped that these discussions would have some constructive results. He also felt that Communism would be put back on its haunches if we were able to devise a bold and forward-looking plan.

Secretary of State Dulles: The Secretary agreed that these are the directions in which we must seek to move. However, many of the problems could not be conquered at once.

(At this point, the Secretary and Foreign Secretary Eden left the meeting. Mr. Douglas took the Chair for the U.S.)

Mr. Burgess: Mr. Burgess described the schedule for Thursday morning when the Chancellor and his associates would meet with Secretary of Commerce Weeks, the Federal Reserve Board, and Mr. Dodge, the Budget Director.

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[6] The reference here is to Stalin's article "The Economic Problems of Socialism", *Bol'shevik*, Sept. 15, 1952; extracts from which were printed in the *New York Times*, Oct. 4, 1952 and in *Documents* (R.I.I.A.) for 1952, pp. 224 ff.

The Chancellor of the Exchequer Butler: The Chancellor wondered whether he should give the Secretary of Commerce his views on the role of "good creditors" and see what reaction he obtained.

Mr. Burgess: Mr. Burgess thought that this approach would be all right.

The Chancellor of the Exchequer Butler: The Chancellor wondered whether he should have to say anything in particular to the Federal Reserve Board or to Mr. Dodge. Perhaps the latter would like to hear something about the budgetary situation in the U.K. He also expressed the desire to have Sir Frank Lee accompany him tomorrow morning.

Mr. Burgess: Mr. Burgess did not think any particular remarks need to be made to the Federal Reserve Board and he thought that the detailed presentation of the British budgetary situation might be reserved for later. Of course, it would be all right to have Sir Frank accompany him and, for that matter, such other of his associates as he desired.

Mr. Douglas: Mr. Douglas raised the question about the establishment of working groups. He thought some of the problems which would arise could be usefully explored by the technical people.

The Chancellor of the Exchequer Butler: The Chancellor was not much inclined to delegate discussion of these matters to working groups, rather he thought it would be better for the group to hold together as long as possible.

Mr. Douglas: Mr. Douglas thought that the relationship of IMF and GATT could perhaps be usefully explored by a smaller technical group, say at the end of meetings tomorrow. However, he was willing to wait until tomorrow afternoon to make a decision on this matter and would reserve his position on the establishment of working groups to deal with other special areas.

The Chancellor of the Exchequer Butler: The Chancellor mentioned that he would want to take up with the Secretary of the Treasury some treasury questions—Treasury to Treasury discussions. These would not take very long and perhaps some time could be found for them.

Secretary of Treasury Humphrey: The Secretary agreed that such discussions would be desirable and possible.

Mr. Douglas: Mr. Douglas referred back to one question which the British, in fact, had raised and that was the role the Commonwealth is capable of playing. Mr. Douglas thought that this was an extremely significant question and involved profound considerations of the rigidities which existed in present day economics.

The Chancellor of the Exchequer Butler: The Chancellor explained the difficulty the U.K. had in conducting these discussions. While they are entitled to speak for the Commonwealth countries, they are not representing them here. The Commonwealth countries are sovereign powers. Therefore, great care must be taken in discussing the situation of the Commonwealth countries but he was in a position to answer clearly all questions about the U.K. He also could give, he thought, fairly valid opinions about the viability of the sterling area.

The Chancellor referred to the questions which had been given the British Embassy earlier and said that they were fairly well briefed on replies to these questions, some of which went very much to the point. He referred particularly to the question of savings.

No. 385

611.41/3-553

United States Delegation Minutes of a Meeting of the Secretary of Commerce (Weeks) and the Chancellor of the Exchequer of the United Kingdom (Butler) at the Department of Commerce, March 5, 1953, 9:45 a.m. [1]

TOP SECRET

WET MIN-6

Participants:

United Kingdom	*United States*
Chancellor of Exchequer Butler	Secretary Weeks (Commerce)
Sir Leslie Rowan	Mr. Williams, Deputy Under Secretary (Commerce)
Sir Frank Lee	Mr. Anderson, Assistant Secretary (Commerce)
Mr. Dennis Rickett	Mr. Douglas (State)
Mr. Clarke	Mr. Burgess (Treasury)
Mr. Charles Empson	Mr. Bissell (MSA)
Mr. Armstrong	Mr. Leddy (State)

[Here follows a list of the subjects discussed.]

Commerce Department

American Tariff and Trade Policy

Secretary of Commerce Weeks: The Secretary inquired what the U.K. had in mind with respect to action by the U.S. on the matter of tariffs and trade policy.

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[1] According to a notation on the source text, the meeting began at the Department of Commerce, but went to the Federal Reserve Board at 11 a.m. where the group met with Chairman Martin and members of his staff. Joseph Dodge, the Director of the Bureau of the Budget, joined the meeting at 11:30.

Chancellor of the Exchequer Butler: The Chancellor said he thought two things were required. First was the general level of the American tariff, which might be reduced, and second, the question of customs simplification. It was the feeling of the U.K. that the measures which had been suggested for customs simplification were not adequate to do an effective job.

Secretary of Commerce Weeks: The Secretary said that the U.S. had reduced its tariff from about 25 percent in 1930 to an average of only 13 percent today, or an over-all cut of about 50 percent. Approximately 55 percent of our imports were duty free. He wondered what the reaction of the U.K. would be if the U.S. were to maintain its present tariff rates but were prepared to take more drastic action on customs simplification.

Sir Frank Lee: Mr. Lee said that such action would of course be useful and no doubt ought to be taken. Nevertheless it fell far short of what seemed to be required by the situation. In the U.K. view an effective approach along the lines of trade not aid would require, in addition to adequate customs simplification, a substantial reduction of American tariff levels, some action on Buy American, and a departure from the principle of strict reciprocity in tariff negotiations. In other words, an over-all approach seemed to be the only one which promised to make a real contribution to the problem.

Assistant Secretary of Commerce Anderson: Mr. Anderson inquired just how much good it would do, in quantitative terms of increased U.K. exports, if the U.S. adopted a substantially more liberal import policy.

Sir Frank Lee: Mr. Lee was doubtful that it would be useful to try to make a quantitative estimate. He said that so far as U.K. exports were concerned, the main benefits would be felt in light manufactures and consumer goods. U.K. exports to the U.S. had now reached a peak level of about $400 million annually. The real benefit of a liberalized American import policy, however, was not so much in terms of direct imports from the U.K. as from larger imports over all, which would contribute to the total volume of dollars made available to foreign countries.

Assistant Secretary of Commerce Anderson: Mr. Anderson stated that according to one expert a substantial reduction of the American tariff might be expected to produce somewhere around an additional billion dollars a year of imports.

Sir Frank Lee: Mr. Lee said he thought that that figure might be about right.

Secretary of Commerce Weeks: The Secretary said that we were very much interested in the question of third country trade and inquired as to the prospect for the U.K.'s earning additional dollars in this way.

Chancellor of the Exchequer Butler: The Chancellor said that the U.K. was conscious of the need for increasing its dollar earnings from third countries and expected to make substantial progress in this area. Among the immediate efforts being undertaken was a drive to increase exports to the Caribbean countries to which little attention had been paid in the post-war period.

(It was pointed out on the U.K. side that U.K. exports to Canada were at about the level of $800 million annually, or about twice the level of exports to the U.S. Over-all U.K. exports to third countries had increased to a level which offset the loss of exports to the rest of the sterling area following upon the imposition by Australia of restrictions on sterling area goods.)

Investment

There was general discussion of the possibilities of increasing private investment in the underdeveloped areas, including U.S. private investment in the sterling area. The Chancellor of the Exchequer stated that with respect to U.K. investments overseas, the U.K. Government was going to keep a very tight rein on this to see that capital exports from the U.K. went into industrial investment that would contribute to the solution of the balance-of-payments problem. They were going to cut out the kind of "milk bar" development which had been allowed to take place in Australia in past years. With respect to U.S. private investment as a solution to the dollar problem, the Chancellor said that investment "was the practice of wisdom—it was perhaps the noblest way"; but unfortunately it would take a very long time. He did not feel that it could make a large contribution in the near future.

In connection with the question of protection for American investors, the British officials stated that they did not believe that there was any serious degree of discrimination against American investment, such as tax discrimination, in the sterling area except in connection with the handling of film royalties which was a special arrangement. Secretary Weeks said that the manufacturing firm which he had headed (Gillette Safety Razor Co.) had had serious difficulties in Australia, but he did not elaborate.

Tourism

There was little discussion of this. Secretary Weeks indicated that we were interested in helping to increase dollar earnings through tourism. It was recognized on the British side that this was one of the largest dollar earners at the present time.

(Mr. Walter Williams, Deputy to the Under Secretary of Commerce, who had to leave to meet another engagement, broke in to say that he attached a very great importance to these discussions that were going on between the U.S. and the U.K. He felt that regardless of the difficulties, or of the differences between us as to the methods which might be pursued, some way must be found to make progress in this area. He felt that we must at all costs move forward together on both sides of the Atlantic and avoid economic failures which might tend to split the Commonwealth and the U.S.)

Raw Materials

Assistant Secretary of Commerce Anderson: Mr. Anderson expressed the view that the U.S. would be an increasingly larger importer of raw materials in the future and referred in this connection to the Paley Commission report. [2] The U.K. people did not comment on this except to state their understanding that this was a relatively long term matter.

Finance

Secretary of Commerce Weeks: The Secretary said that in reading the U.K. proposals he was curious to learn what the U.K. had in mind with respect to the additional financial resources which might be necessary in order to make their plan work.

Chancellor of the Exchequer Butler: The Chancellor replied that he had not, up to that moment, given a precise figure. He said that it was very largely a matter of judgment as to what would be required. He stated that the U.K. quota in the Monetary Fund was $1.3 billion and that his own view was that a minimum of an additional $1.3 billion would be needed in order to avoid undue risk.

Western Europe

Secretary of Commerce Weeks: The Secretary asked whether the U.K. thought that the Western Europeans would be prepared to go along with these proposals if they should prove acceptable to the U.S.

Chancellor of the Exchequer Butler: The Chancellor replied that he thought that the continental Europeans would be centrally concerned about the maintenance of trade liberalization and satisfactory payments arrangements. He thought that the question was one of marrying the wider trade and payments plans in the U.K. proposals with the OEEC and the arrangements which had grown up under the OEEC and EPU. He said that there would of course have to be discussions and negotiations with the European countries but that the U.K. had felt it was first necessary to have talks with the U.S. to see whether an approach such as the U.K. had outlined had enough of hope in it to warrant further serious consideration.

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[2] Under reference here is the five-volume report, "Resources for Freedom", submitted to President Truman in June 1952 by the President's Materials Policy Commission, which had been established on Jan. 22, 1951, with William S. Paley as Chairman. For additional information, see Department of State *Bulletin*, July 1, 1952, pp. 54–60.

Federal Reserve Board

The Federal Reserve Board presented for the benefit of the British visitors a series of four lectures, and accompanying charts, covering (a) production, consumption, price and inventory trends in the U.S. up through early 1953, (b) trends in the dollar balance of payments showing the narrowing of the gap between 1947 and 1952 and methods of financing, (c) trends in the gross national product and (d) monetary and credit conditions. There was not time for questioning by the U.K. officials, although they expressed some interest in the possible future impact on U.S. imports of current developments in the inventory and credit situation. According to the Federal Reserve presentation a substantial inventory accumulation is taking place, consumer credit is rising and there is some concern that this situation may lead to deflationary pressures later on. The text of the Federal Reserve commentary is attached. [3] (*Note*: Several members of the U.K. delegation later expressed apprehension over the possibility of a downturn in the U.S. economy which they felt was likely on the basis of the Federal Reserve presentation.)

Director of the Budget

At 11:30 Mr. Dodge, the Director of the Budget, gave a presentation, with charts, of the past, present and prospective budgetary situation of the U.S. One of the major concerns of the Government was the very high proportion of total U.S. national income which is now going into Government expenditures. There has been a substantial increase not only in federal taxation but also in state and local taxes so that the percentage of national income going into Government revenue of all kinds has increased from about 22 percent in 1940 to 30 percent in 1952. Mr. Dodge said that it was a real question as to how long we could keep this up and still maintain the kind of economy which has made the U.S. productive.

The federal deficit for fiscal 1954, on the basis of current budget estimates, would be about $5.9 billion. This compares with a deficit of $9.9 billion in the original (Truman) budget. He then went on to explain that even if no new legislation for tax reduction were enacted, the deficit would increase to about $15 billion in 1955, thereafter falling to $12 billion in 1956, $6½ billion in 1957 and winding up in a balanced situation in 1958. He explained that this very large increase in the deficit was due to the fact that under present laws certain taxes would automatically expire. On these projections the public debt, which now stands at $254 billion, would rise to $275 billion by the end of 1954 and to $307 billion by 1958.

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[3] No copy of this commentary was found attached to the source text, nor has it been found in Department of State files.

In the course of the presentation by the Federal Reserve Board and the Director of the Bureau of the Budget Mr. Butler asked for a further explanation of one point: What is likely to happen when the defense program starts to decline? He said that the U.K. watched with a great deal of interest the developments in the U.S. economy, which was now clearly in a flourishing situation, and there was some concern as to what the effect of decreased defense expenditures might be on the domestic economy and hence on American demand for imports. Mr. Thomas, of the Federal Reserve Board staff, said that the hope is that consumer and business demand will expand to the extent necessary to take up the slack. This is why the Federal Reserve Board is placing so much emphasis on the importance of a sound credit policy. They wish to avoid a situation in which the country would be faced simultaneously with a decline in defense demand and an undue credit burden on business and consumers.

Mr. Dodge added that the answer to Mr. Butler's question also depended on how the budget problem was handled. According to present plans the peak of defense expenditures would be reached in 1954 with a total outlay for defense of $47 billion. By 1958, by which date the budget is projected to be in balance, defense expenditures would have come down to $35 billion. Foreign military and economic aid would drop over the period from a peak of $7 billion to $3 billion. Mr. Dodge thought that while the public might want early tax reduction and quick budget balance, the Government would have to take into account the broad effects of budget policy on the domestic economy. Today we are in a situation of production imbalance resulting from the post-Korean situation. Too sharp a curtailment in expenditure might throw the economy down too fast. While it was necessary to keep the objectives of budget balance and tax reduction clearly in view it was also important to avoid the bad effects of a meat-axe approach.

Mr. Butler inquired whether our agricultural price support policy was going to go on as it is now. Mr. Dodge replied that it would have to continue through 1954 but that the objective of the Administration is to get price support levels down, that they should be regarded rather as an insurance against disaster than as a means of continuous subsidy. He pointed out that the present rigid supports were in some cases pricing commodities out of the market (e.g. butter).

No. 386

611.41/3-653

United States Delegation Minutes of a Meeting of Secretary of State Dulles and Foreign Secretary Eden at the Department of State, March 5, 1953, 3 p.m.[1]

TOP SECRET
WET MIN-2

Participants:

U.S.	*U.K.*
Secretary Dulles	Foreign Secretary Eden
Secretary Humphrey	Chancellor of Exchequer Butler
Mr. Douglas	Ambassador Makins
Ambassador Aldrich	Sir Edwin Plowden
Mr. Burgess	Sir Frank Lee
Mr. Bissell	Sir Leslie Rowan
Mr. Linder	Sir Pierson Dixon
Mr. Overby	Sir Edmund Hall-Patch
Dr. Hauge	Mr. Armstrong
Mr. Gordon	Mr. Clarke
Dr. Williams	Mr. Stevenson
Mr. O'Connor	Mr. Leishman
Mr. Corbett—*Rapporteur*	

[Here follows a list of the subjects discussed.]

Internal Financial Questions:

Secretary of State Dulles: The Secretary remarked that the British had propounded in the first meeting[2] two series of three questions. The first series related to the questions which the U.S. might like to ask the U.K., the second series to the questions which the U.K. would like to ask the U.S. He indicated that the British could consider our questions to them asked. While the questions were in general terms, Mr. Douglas and others would break these down into more particular questions. He remarked that it was most fortunate that Mr. Douglas combined the arts of diplomacy and finance.

The Secretary mentioned that the President was following these discussions very closely. He, himself, had asked one or two questions. A particular comment he had made was that a convertible currency mirrors a sound and healthy economy. Convertibility cannot be maintained unless it is backed up by a healthy society.

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[1] Drafted on Mar. 6.

[2] For a report on the first meeting, see Document 384.

The Secretary thought that we would want to go into the question of British productivity and the soundness of various elements of their economy and society. A question in which the President is interested is the size of the fund that would be required, where it would come from and how much would have to come from us.

The Secretary noted that before we would be able to answer questions on timing and nature of discussions with Western Europe we would have to give much more attention to the impact of the proposals upon Western Europe.

Mr. Douglas: Mr. Douglas expressed himself as very interested in (1) the extent of stabilization which has been achieved in the U.K. economy and (2) the extent of the introduction of flexibility into the economic environment. Answers to these questions, no doubt, would come up in discussions of the internal financial position of the U.K.

Secretary of State Dulles: The Secretary inquired as to whether it would be desirable to break up into working parties to deal with some of these questions. He was, of course, willing to conform to the desires of the British in this matter.

The Chancellor of the Exchequer Butler: The Chancellor thought that it would be possible to break up into working parties at some juncture but he would like first to discuss some general points and get a picture of the main trends.

In his opinion, the internal financial position of the U.K. has been affected far more than many observers believe by measures already taken in the fields of monetary and budgetary policies. Inflation has been reduced to patches in the economy. There is, in fact, a danger of going into a deflationary period. Civil expenditures have been held for two years at the same level despite rises in costs and prices. This has been accomplished in the face of overseas obligations, atomic expenditures and civilian defense. The Chancellor expressed his will to continue with the use of both monetary and budgetary weapons. The monetary policy has had a good effect and this can be seen by reference to the statements of banks. Public spending has been curtailed by amalgamation of Government debts and reductions in the Civil Service. He took steps just before leaving London to effect even greater economies in these fields.

Considerable improvement has been achieved in company savings over 1951. These amount to almost 600 million pounds annually. Generally, good cooperation has been achieved in a restrictive policy on dividends. The Chancellor did not think the effects of the policy on corporate savings had been fully recognized.

In general, he believed that a sufficient freeing of resources had been attained to buoy up exports if markets can be found. This has been accompanied by a mopping up of domestic demand. In his opinion, the U.K. has the resources for a greater export effort; there was now a possibility of much greater flexibility in the economy. Basically, the question is one of markets for exports. The U.K. has the flexibility and the resources to produce the necessary goods provided:

1. Strict policies are maintained in the monetary and budgetary fields.
2. The burden on industries is reduced.
3. Incentives are given to production.

The Chancellor referred to the need for re-equipment of British industries which had been mentioned in one of the U.S. questions. He thought that the controversy over the depreciation allowance was understandable but he was sure that progress would be made in encouraging the maintenance and modernization of industry. Therefore, with the requisite finances and resources, and provided the Government does its best, there is no reason why sufficient flexibility does not exist.

Mr. Douglas: Mr. Douglas raised the question of British costs and whether this constituted a restriction on exports.

The Chancellor of the Exchequer Butler: The Chancellor thought that costs were sufficiently under control to permit competition in engineering products which he thought gave a representative picture. Of course, wages represent the bulk of the costs of production and the situation here was not entirely satisfactory. They have held the cost of living index steady for some months although there has been an apparent rise by virtue of lifting food subsidies. This was a very correct action from the point of view of finance but it would create domestic problems. To carry out further the policy of freeing up the internal market, a number of agricultural products had been turned back to the private market. There has been a saving of 50 million pounds in subsidies on cereals, food stuffs and eggs and a saving of 40 million pounds in the holding of stocks.

Mr. Douglas: Mr. Douglas raised the question of housing and the burdens that this entailed on the budget.

The Chancellor of the Exchequer Butler: The Chancellor remarked that this was a Governmental pledge and a social need. He, however, intends to move on this problem by freeing the building industry, encouraging private home construction, decontrolling rents, repair on old houses, and purchase of houses from the local authorities. He thought this policy made sense. This has kept employment fairly stable and has been valuable socially.

Mr. Douglas: Mr. Douglas wondered whether it would be useful for the British to study our methods of shifting the housing burden to the private market. Perhaps some of our techniques might be applicable.

The Chancellor of the Exchequer Butler: The Chancellor pointed out that the local authorities were beginning to go to the market. This is a start in transferring the burden from the budget to the private market. He thought that a saving of 60 to 70 million pounds might be possible below the line.

Mr. Burgess: Mr. Burgess wondered if the answer was not in encouraging householders to build their own houses.

The Chancellor of the Exchequer Butler: The Chancellor stated that he intended to make that a feature of the new policy. He has no intention of continuing indefinitely the policy of subsidizing housing. He believes that the process of saving and the acquisition of houses should be associated.

Sterling Area Finance Problems:

Mr. Douglas: Mr. Douglas inquired of the Chancellor as to the future tests the sterling area might face.

The Chancellor of the Exchequer Butler: The Chancellor referred to the recent crisis of the sterling area finances following which Australia "went broke", which hit British sales of automobiles, textiles, etc. The Australian depression represented a severe knock for the U.K. The latest news was that some relaxation of restrictions was being started. In India the finances were being tightly controlled by Deshmukh and the situation was fairly good there financially. There has been some improvement manifested in Pakistan, although in this area and in India, the sterling area was up against certain natural phenomena, famine and drought.

Sterling balances are released to India, Pakistan and Ceylon by agreements between the Governments. Australia can no longer afford a loose policy in the use of sterling, balances of which are down to working levels. Therefore, the outlook for the sterling area is very much stronger than in the past.

Mr. Douglas: Mr. Douglas inquired if the sterling balances are controlled by agreements among central banks.

The Chancellor of the Exchequer Butler: The Chancellor indicated that agreements between Governments controlled releases in the case of India, Pakistan, Ceylon and Egypt. With reference to the first three countries, these releases are on a six-year basis and are tied into the Colombo Plan. In the case of Egypt, the releases amount to 10 million pounds a year with a possibility of increasing this to 15 million pounds. All together the releases come to from 50 to 60 million pounds a year.

Mr. Rowan: Mr. Rowan commented on the division of sterling balances. He thought their composition made them much less a problem than they were in the past. For example, since 1949 sterling balances of the independent sterling area had fallen 200 million pounds and in the balances held outside the sterling area the drop had amounted to 300 million pounds. On the other hand, there had been an increase in the balances held by the colonies of 550 million pounds. It was impossible to say what total annual releases would amount to beyond these on which agreement had been reached. In general, there was no great amount of sterling outside the sterling area (Europe, South America and Japan) which was pressing for release. Only in Portugal is the balance large. This is tied up by an agreement which would not mature for five or six years. The Japanese balances had fallen about 50 million pounds in the last six to nine months. The Japanese were now worried about the shortage rather than the superfluity of sterling.

The Chancellor of the Exchequer Butler: The Chancellor did not believe that this sterling balance over-hang constituted a real danger at this time for this operation. He felt that he had the sterling area under pretty good rein. Everything was going well now and he was on close terms with the Finance Ministers of the area. Of course, he recognized that Governments may change and the situation could be altered.

Mr. Douglas: Mr. Douglas inquired whether the Chancellor believed that the volume of savings in the U.K. would be sufficient to provide the necessary capital for all of their undertakings.

The Chancellor of the Exchequer Butler: The Chancellor referred to the release of 60 million pounds to the IBRD which was a public credit transaction. He was encouraged by the formation of a company in London by important private interests to promote investment in the Commonwealth. They were going to make efforts to raise private capital with the approval and connivance of the Bank of England. Of course, it will be necessary to find the markets to create the 300 to 350 million pounds surplus in the balance of payments to finance the export of capital. All of this needs very much to be supplemented by the U.S. public and private investment in the overseas sterling area.

Mr. Douglas: Mr. Douglas raised the question of increases in savings in the U.K.

The Chancellor of the Exchequer Butler: The Chancellor thought that the record in private savings was not at all good. It was somewhat better in Scotland than in England.

Mr. Douglas: Mr. Douglas then inquired if the reason for this was taxation.

The Chancellor of the Exchequer Butler: The Chancellor mentioned that unfortunately the purchases of consumer durables such as TVs took a bite out of private savings although he recognized that the 9s6d rate was a heavy tax burden. Corporate taxation was still very severe, purchase tax was heavy and the excise tax on beer, alcohol and cigarettes was very burdensome. He believes these taxes must come down if resources are to be available in the event of war or if incentives are to be given to production.

Mr. Douglas: Mr. Douglas emphasized that our questions were being asked only to permit us to arrive at some independent assessment of the risk involved in the British proposals. Our concern in the matter was as great as that of the British. We were aiming at the same goals and it was desirable that we proceed with the greatest care.

The Chancellor of the Exchequer Butler: The Chancellor recognized the reasons which lay behind our questions and he was happy to give as good a presentation as possible.

Mr. Burgess: Mr. Burgess did not wish to embarrass the Chancellor by asking questions having to do with the particulars of the budget for the coming year but he had noticed that the outturn on the budget so far this year had not been up to expectations.

The Chancellor of the Exchequer Butler: The Chancellor admitted that the results had not come up to estimates and this was explainable by two factors: (1) the fall in company profits had not been foreseen at the time the estimates were made and (2) the reduction in imports of 300 to 400 million pounds ought to have been recognized as having an affect upon customers' receipts. The rising expenses had been accounted for almost entirely by the defense effort. Therefore, a combination of these three factors plus the extra debt charges due to the severe monetary policies explains the budgetary difficulties to which Mr. Burgess had reference. He did not, however, feel that these were important in terms of the soundness of the economy.

Mr. Burgess: Mr. Burgess referred to the shifting of housing to the private market and to medical charges.

The Chancellor of the Exchequer Butler: The Chancellor explained that housing was a party pledge which he was sure the U.S. representatives would understand. As for medical charges, the costs of filling prescriptions had been raised although various loopholes still existed to avoiding the full impact of these charges.

Mr. Douglas: Mr. Douglas wondered if the Chancellor could give some indication of the standards his Government would employ in determining if the stablization policy were sufficiently strongly rooted to warrant and maintain convertibility. This seemed to Mr. Douglas to be implicit in any measures taken toward convertibility.

The Chancellor of the Exchequer Butler: The Chancellor thought that most of this had been answered in what he had been saying. The system had been loosened up to let money play a greater part.

He had not mastered the expenditure side but he did not know of any modern society that had. There had been an increased degree of mobility introduced into the labor situation. More coal has been exported. Saturday working in the coal mines has been instituted and within reason hope can be held for a better showing in coal exports.

Mr. Douglas: Mr. Douglas inquired as to the extent of costs flexibility and capacity to make internal adjustments.

The Chancellor of the Exchequer Butler: The Chancellor said that to some extent this involves insulation of the economy against import prices. This depends also on what happens in other countries. The cost structure is heavily influenced by wages. The Minister of Labor is on guard against another round of wage increases. The Chancellor thought that the Government had been most fortunate in getting away with fairly light wage increases while at the same time raising the cost of food. Now, increased costs must be passed on to the consumer. Therefore, the question of reduction in subsidies and wage increases must be handled with moderation.

Mr. Douglas: Mr. Douglas asked about the formation of capital and the increase of productivity.

The Chancellor of the Exchequer Butler: The Chancellor responded that there had been some improvement in productivity. He thought that the unions and employers saw eye to eye with the Government on this matter.

Sir Edwin Plowden: Sir Edwin commented in response to a question by Mr. Burgess that it was difficult to get the older unions to accept changes in production techniques. However, flexibility has been introduced into the employment situation. When the present Government took over there was overfull employment and now unemployment amounted to 500,000 or about 2% of the working forces. One had to consider also that the number of vacancies had fallen to 250,000. There had been a marked movement of labor from the textile industry to the aircraft industry, although this was held up to some extent by a shortage of sterling and other items. The Coal Board can now be more selective in its employment policies, taking either boys or trained workers. The imported labor proved to be a failure in the case of the Italians and all labor engaged in coal production is now British.

(There was a general discussion on the work-week prevailing in the coal industry.)

Mr. Burgess: Mr. Burgess referred to the relationship of the moving exchange rate to the problems of flexibility and that it had occurred to the American side as it had studied the plan that this was an important factor in the desire for a flexible rate.

The Chancellor of the Exchequer Butler: The Chancellor said that the British Government was trying to move into an area of decontrol and develop its own policies, getting away from "me tooism". The Chancellor remarked on the steps taken to return agricultural commodities to the private market and expressed himself as being very proud of the venture. He cited, as one of the pledges of the Government, the opening of the Liverpool Cotton Market. He was convinced that this could not be done at a fixed rate because of the flexibility in commodity prices. He did not see how they could move extensively on the internal decontrol unless increased flexibility was introduced in the external financial system.

Mr. Douglas: Mr. Douglas asked if it would not be desirable to have a special group examine the sterling balances. This seemed to him to be an important technical area.

The Chancellor of the Exchequer Butler: The Chancellor agreed to this suggestion and mentioned that they have a number of plans concerning the balances. The distinction had to be made between types such as commercial balances, central banking balances, sterling area and non-sterling area balances.

Secretary of State Dulles: The Secretary wondered if the owners would be amenable to funding these balances.

The Chancellor of the Exchequer Butler: The Chancellor said that this would not be necessary for the Commonwealth balances and he thought that there was quite a different picture now with respect to balances outside the sterling area than there had been previously.

Mr. Bissell: Mr. Bissell asked if the creation of external sterling and introducing flexibility in the rate were inextricably related to other features of the plan and to increased internal freedom.

The Chancellor of the Exchequer Butler: The Chancellor said that convertibility at a floating rate is the only thing that could be sustained. The strain must fall somewhere and it was necessary that it fall partly on reserves and partly on the rate. They were not convinced that the strain could be avoided in any new plan and therefore it was a question of how best to meet the strain.

Mr. Bissell: Mr. Bissell inquired again as to the essentiality of external sterling for limited convertibility given the risk.

The Chancellor of the Exchequer Butler: The Chancellor pointed out that positive convertibility has positive benefits. Any moderation in the plan to avoid risks would avoid advantages.

Mr. Douglas: Mr. Douglas inquired as to the points within which the rate would move.

The Chancellor of the Exchequer Butler: The Chancellor said that this would have to be a matter of the greatest secrecy. Nothing could be worse than to make announcements on this matter.

Mr. Douglas: Mr. Douglas asked what arrangements would have to be made with other countries concerning the balances of sterling they would hold.

The Chancellor of the Exchequer Butler: The Chancellor said that there was no provision for this in the present plans. Italy had a great fear of her sterling balances being blocked. If that were done it would tend to take away confidence in sterling and, therefore, there has to be a degree of courage in approaching this problem.

Mr. Douglas: Mr. Douglas asked about the references to efforts of other countries to transfer their dollar deficits to the U.K. How would the U.K. protect itself against this?

The Chancellor of the Exchequer Butler: The Chancellor said that the discriminatory weapon would have to be retained. It would only be used in the event of great difficulty. The Escape Clause referred to in the new committee representing the IMF and the GATT would provide a means for discussing the justification of any action the British might take. This would bring the problems of trade and finance together.

The Chancellor said that it was useful to recognize the nature of British trade—60% was with the sterling area and the dollar area and no danger would be involved here; 25% was with the OEEC countries—it was hoped that these countries would be part of the plan and trade with them could be handled in such a way as not to lose the advantages of liberalization; the remaining 15% would involve some real risk, although South America at the moment is very short of sterling.

Sir Frank Lee: Sir Frank said that the risk that other countries would use their external sterling to buy dollar goods is clearly present in the plan. This risk is modified by the following factors:

1. Conversion at a rate.
2. Steps to ease world dollar shortage (good creditor policy).
3. Europe would be dealt with in such a way as to maintain the liberalized trade.

Mr. Douglas: Mr. Douglas asked if the British intended to refrain from the use of QRs and had confidence in their competitive ability.

Sir Frank Lee: Sir Frank said that there was a definite intention to reduce QRs and certainly the plan implied confidence in British competitive ability.

Foreign Secretary Eden: The Foreign Secretary said that that assumption would have to be made.

Mr. Douglas: Mr. Douglas inquired into the future status of the EPU. He commented on how well this institution had performed, perhaps to the surprise of us all.

Foreign Secretary Eden: The Foreign Secretary felt that the trade liberalization effort of the OEEC must be kept going. The EPU would have to undergo some drastic modification since there would be two sets of currency, convertible and inconvertible. What was left of the EPU would have some connection with the IMF.

The Chancellor of the Exchequer Butler: The Chancellor said it was clear that you could not have a Payments Union involving both convertible and inconvertible currencies. A scheme would have to be worked out whereby liberalization of trade in Europe would continue and different standby credits for convertible currency and inconvertible currency with the Monetary Fund would have to be devised. Perhaps the Managing Board of the EPU could be retained and would have some responsibility for the IMF credits. This would help revivify the IMF.

Mr. Douglas: Mr. Douglas asked if the plan involved sterling convertible only on current account.

(There then followed a discussion in which Mr. Douglas, Secretary Humphrey, Mr. Bissell, Mr. Linder, Chancellor Butler, Sir Leslie Rowan and Sir Frank Lee participated. This discussion related to the manner in which external sterling would be created. The U.K. and members of sterling area would still maintain exchange controls. There would still be quantitative restrictions, although the tendency would be to reduce these and to eliminate discrimination. Under no circumstances would the exchange control be used to frustrate any liberalization of trade. The question of whether only current account sterling would become external sterling and thereby subject to conversion into dollars was resolved by a British statement that it would be most difficult to distinguish between current account and capital transactions. Therefore, any sterling which reached foreign account (non-resident) would be external sterling. The British would continue to maintain controls on capital and if sterling from this source reached external account, it would be entitled to the same status as sterling arising from trade and current services. The British could pull back in various ways to reduce the supply of sterling but would have to justify these retrogressions before the Tribunal of the IMF and the GATT. The analogy of the right of the U.S. to increase tariffs and reduce the supply of dollars was mentioned. The British referred to recent measures to permit the export of original capital plus appreciation. This covers capital invested subsequent to January 1, 1950. Capital invested before that time may only move out to the extent of the original investment. There would be only a single rate for sterling.

The safeguards to guarantee maintenance of the external sterling system are mentioned in paragraph 42 of the British memo.[3] These are: (1) appearance before a Tribunal, (2) flexible rate and (3) control of the supply of sterling.)

Mr. Douglas: Mr. Douglas asked about the gross dollar earnings of the U.K. and the sterling area.

The Chancellor of the Exchequer Butler: The Chancellor thought these were difficult to quantify. He thought that the sterling area would be in approximate balance with both Europe and the dollar area. This, of course, depends upon the adoption of good creditor policies which are a precondition to the plan.

Dr. Williams: Dr. Williams inquired how much the plan depended on the composition of production and the pattern of trade? How far would the U.K. go to determine the answer to this question before an attempt is made at convertibility? Monetary arrangements depend upon what is underneath. Is there a tendency toward external balance? He thought that the question might be summed up in the finding of markets.

The Chancellor of the Exchequer Butler: The Chancellor said that the answer to these questions depended upon the increase in trade with the dollar area. He reviewed some of the efforts being made to expand South American, Caribbean and Canadian markets. He referred again to good creditor policies and his meeting this morning with the Secretary of Commerce.[4]

Mr. Douglas: Mr. Douglas inquired to what extent did the plan rest upon the adoption by the U.S. of good creditor policies?

The Chancellor of the Exchequer Butler: The Chancellor said that this was a precondition. He could not stress it enough. The American economy is in a powerful state, yet it is indulging in safeguards which have roots in history. In the British opinion, these safeguards are hardly necessary. He wondered if we needed the protective policy of the past. He would hope for a reconsideration of our levels of tariff and some improvement in the outlook for sterling area commodities, a point which was mentioned in the Paley Report. He referred to discriminatory aspects of our shipping policy, to the tied loans of the Eximbank and to the Buy American legislation. He thought if steps could be taken along these fronts and coupled with increased investment much could be accomplished.

Mr. Douglas: Mr. Douglas inquired about the binding of tariffs at present levels.

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[3] Regarding the British memorandum, "A Collective Approach to Freer Trade and Currencies", dated Feb. 10, 1953, see Document 375.

[4] For a record of the meeting with Secretary Weeks, see *supra*.

The Chancellor of the Exchequer Butler: The Chancellor said that this would not be sufficient.

(There followed a discussion of U.S. shipping policy.)

Ambassador Aldrich: Ambassador Aldrich asked if the British would not require considerable time to measure all the effects of the various steps before undertaking the program.

The Chancellor of the Exchequer Butler: The Chancellor said that the British have endeavored to change internal policies. They would do what they could in the interim and then they would institute the operation, then there would be a testing period and, finally, a rewrite of the rules.

Ambassador Aldrich: Ambassador Aldrich asked haven't the British got to get the results of the good creditor policies before they could anticipate accurately what would be required.

The Chancellor of the Exchequer Butler: The Chancellor said that there are two schools of thought: (1) that convertibility comes on top of all other steps like a cap, or (2) that a convertible operation, even of a limited nature, is a good in itself and brings benefits. He leaned toward the view that convertibility would help the other measures and should not be a reward for other measures.

Ambassador Aldrich: Ambassador Aldrich commented on the severity of the risk.

The Chancellor of the Exchequer Butler: The Chancellor agreed on the risk. He said that he would not undertake the convertibility operation if he did not have some reasonable hopes that the pattern of trade would be changed.

Ambassador Aldrich: Ambassador Aldrich asked if the British are not going to undertake the convertibility operation until other things are visible? Do they need a commitment on a stabilization fund at this time? Could they not postpone this until their minds had been made up more clearly?

(There followed some discussion of the meaning of convertibility as used in the British memo. It was agreed that the reference to convertibility in the memo was to the first limited step of the creation of external sterling.)

Ambassador Aldrich: Ambassador Aldrich inquired whether we would be justified in providing dollars if we are not convinced that the pattern of trade the British desire is going to evolve?

Dr. Williams: Dr. Williams mentioned the weakness of some of the sterling area raw materials in the long run.

Secretary of Treasury Humphrey: The Secretary sought some indication from the British as to the volume of increased exports to the dollar area and the lines which would be most affected.

Sir Frank Lee: Sir Frank indicated that raw materials and semiprocessed goods would be the major items. He thought electrical goods should show substantial increases. Regarding engineering goods, he thought the British could make a good showing under competitive conditions.

(The British promised to develop more information on their views concerning increased sales in the dollar area if the U.S. should adopt good creditor policies.)

Mr. Douglas: Mr. Douglas asked the British to elaborate on the financial support. He hoped their remarks would cover not only themselves but the sterling area and Europe.

The Chancellor of the Exchequer Butler: The Chancellor said that there was 1.3 billion dollars available in the Fund for the British under the present quota. He thought that 2½ billion dollars would be required. He thought an additional $700 million would be necessary for the remainder of the sterling area. He would not venture a guess on European requirements but admitted that it would have claims. He thought, however, it was a mistake to compare the European currencies to sterling.

Mr. Douglas: Mr. Douglas remarked that the sterling area had been in external balance for some seven to eight months now. He wondered if that were long enough to reach any general conclusions about the permanency of this stability.

The Chancellor of the Exchequer Butler: The Chancellor said that the sterling area had decided to carry forward into 1953 present policies. He could not look much further ahead than six to nine months but he thought that the balance could be maintained. This, of course, was on the assumption that the terms of trade would not turn against them. This remark answered a U.S. question concerning the effects of a down-turn in the U.S.

(The discussions reverted to British export targets. They agreed to define in greater detail these targets and the assumptions upon which they would be based. This would enable the U.S. to give greater attention to the steps which it might have to consider taking.)

The Chancellor of the Exchequer Butler: The Chancellor referred to paragraph 59 in the British memo [5] and asked if someone could be appointed from the U.S. side to explore this matter. Mr. Leddy was named to work with Sir Frank Lee.

(It was agreed that a working group would be established to develop further information on the following:

1. Sterling balances.
2. The future of the EPU.
3. The relations between IMF and GATT.

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[5] Paragraph 59 of the British memorandum dealt with tariff preferences.

This working group could commence its labors tomorrow at a time to be decided at the full meeting at 10:00. [6])

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[6] Regarding the meetings of the Working Group, see footnote 3, *infra*.

No. 387

611.41/3-753

United States Delegation Minutes of a Meeting of the Secretary of the Treasury (Humphrey) and the Chancellor of the Exchequer of the United Kingdom (Butler) at the Department of the Treasury, March 6, 1953, 10 a.m. [1]

TOP SECRET
WET MIN-3

Participants:

U.S.	*U.K.*
Secretary Humphrey	Rt. Hon. R. A. Butler
Mr. Douglas	Sir Leslie Rowan
Mr. Burgess	Sir Edwin Plowden
Mr. Bissell	Sir Frank Lee
Mr. Overby	Sir Edmund Hall-Patch
Mr. Southard	Mr. D. H. F. Rickett
Mr. Linder	Mr. C. Empson
Mr. Gordon	Mr. R. W. B. Clarke
Mr. Corbett	Mr. M. Stevenson
Mr. Harley	Mr. D. Allen
Mr. Leddy	Mr. G. Parker
Mr. Locker	Mr. M. Parsons
	Mr. W. Armstrong

The Chancellor of the Exchequer Butler: The Chancellor, after responding to greetings by Secretary Humphrey and Mr. Burgess, remarked on the difficulties which the U.S. apparently saw in the British plan. He said he was not speaking for the U.K. alone in this matter. He was putting forward ideas reached after six to nine months of extremely hard work in the Commonwealth. It was not just a U.K. matter but a world matter. The problems seem to him to be much broader than those that had been discussed the day before. The objective remained of uniting the free world. At this point he could but say that it was going to be most difficult for him to go to Canada, to hold further discussions with the Commonwealth and to initiate discussions with Western Europe.

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[1] Drafted on Mar. 7.

The Chancellor said that while we should use some of the remaining time to draw up a communiqué, we must still discuss the question of how to open a new chapter in world economic relations; how to keep the momentum going. He would hope that the discussions could be wound up in a constructive fashion; if that could be done with honor and without kidding ourselves, it would be useful.

The Chancellor returned to the problem of U.S. surplus. He again referred to U.S. generosity but asked how the U.S. planned to cover their payments surplus in the future. Aid was clearly not going to be easy and there seemed to be a question about the liberalization of trade. If the U.S. economy is to remain protective and there is to be less aid, then the Chancellor was left with the idea that we have not made much progress. He thought that the world might be forced back into blocs but that would not be the wish of the U.K. This situation must be remembered when requests are made at NATO for greater defense effort and when additional foreign policy obligations are being urged. The Chancellor does not wish to depart until both sides have an understanding. Such an understanding should be sincere and aimed at a policy of unity.

Mr. Burgess: Mr. Burgess hoped very much that a final statement of these meetings could strike an affirmative note.

Mr. Douglas: Mr. Douglas referred to the goals of earlier economic programs. Some of these have been reached—production, for example, has been greatly increased. There, however, remains the intractable program of freer currencies along with freer trade. This is the problem the U.K. has posed. A step at the right time and under the right auspices would be of immense importance, ranking with the defense effort. Mr. Douglas would not wish in any way to underestimate the importance of the objectives of the British proposals but the question remains one of how to come to grips with the problem.

The Chancellor of the Exchequer Butler: The Chancellor said he had extracted some encouragement from the President's State of the Union message.[2] He did not now feel he was entitled to this encouragement. The Chancellor said he must know how things are going to proceed; the U.K. just could not look ahead to debts, defense burdens and overseas obligations. He would not want to undertake the next chapter in world economic development under a "sham facade".

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[2] For the text of President Eisenhower's State of the Union message, delivered Feb. 2, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953,* pp. 12–34.

Mr. Burgess: Mr. Burgess said the matter also involved a question of timing. The U.S. was not sure at this stage what could be delivered. Perhaps a year from now the situation will look much better. Certainly, the U.K. representatives could assume that the President's statement of policy in the State of the Union meesage is firmly held. Mr. Burgess did not know at this time how far he could go in interpreting that statement. Mr. Burgress said that reference could be made to the President's words in response to a question by the Chancellor.

The Chancellor of the Exchequer Butler: The Chancellor asked if legislation was involved.

Mr. Burgess: Mr. Burgess said yes but that we were also looking to what can be done administratively. He said that the U.S. must make its study of the problem a continuing one. He referred to the suggestion by Secretary Humphrey and Ambassador Aldrich concerning the identification of items of trade that might be expanded. He hoped that the British would be able to do something on this matter in order that we might better visualize what was in their minds.

Sir Frank Lee: Sir Frank was not sure if the request was one which could be handled in such a specific manner. The matter had to be looked at as a world problem, not a problem of the U.S. and the U.K. or the U.S. and the sterling area. It would be the task of the U.K. to earn dollars by being competitive in third markets and it was difficult for the U.K. to make estimates of what the U.S. might buy from these third markets. He would be willing to explore:

1. The height of tariffs in the U.S.
2. Classification schedules.
3. Shipping discriminations.
4. Buy American.
5. Tied loans.
6. Private and public investment.

The important thing was to increase the flow of dollars. This would take resolute action on a broad front. He thought that it would present a new challenge to all exporters in the non-dollar world. The deterrents to trade with the U.S. were both absolute and qualitative. He developed this point by reference to the general level of tariffs and to specific types of tariffs. He mentioned also the competitive ability of the U.K. in the automotive field where tariffs did not encumber trade.

Mr. Burgess: Mr. Burgess said that the Bell and CED Reports to which reference had been made did not do exactly what Secretary Humphrey and Ambassador Aldrich had in mind. These were still too much in general terms and did not allow us to see clearly the impact on our economy of the increased imports to which the British were referring. Perhaps the way to approach the matter was the way it had been approached in the reciprocal trade program—country by country and commodity by commodity.

The Chancellor of the Exchequer Butler: The Chancellor felt that he must return to four important questions:

1. Could we agree to continue to work together towards a world multilateral trade and financial system?
2. How is the U.S. surplus to be covered?
3. What are the attitudes of the U.S. Government toward institution of good creditor policies?
4. What could be said to Europe?

Mr. Burgess: Mr. Burgess thought that we were quite clear on question one. With respect to question two, we will study the matter and in the meantime reference could be made to the statements of the President.

Mr. Bissell: Mr. Bissell said that in the immediate future the world payments situation will be influenced heavily by U.S. military outlays and offshore procurement and a somewhat easier dollar position will result. There was no danger of this flow ceasing abruptly. Therefore, he thought that U.S. surplus could be covered in a substantial fashion from this source. There was not the prospect of an immediate crisis ahead and, therefore, in describing the problem it was not necessary to resort to the use of crisis terms.

The Chancellor of the Exchequer Butler: The Chancellor said that he found these remarks very interesting and he would have to explore the matter with Mr. Stassen. Until this had been done he was not sure precisely what could be said in the communiqué concerning the impact of offshore procurement.

Mr. Douglas: Mr. Douglas wondered what could be said to the public. He felt that the message should not be a depressing one although we must speak with complete honesty. He has three questions in mind. Can we say that the problems are those of relaxing trade barriers and moving toward freer currencies? That we share these objectives with the U.K. and that we will give them our closest study? Would it be satisfactory to say that the problems will be genuinely studied? This raises the further questions of when and how this is to be done?

The Chancellor of the Exchequer Butler: The Chancellor thought this was a satisfactory approach provided we really meant to go ahead.

(There ensued a brief discussion on the timing of British action and the relationship of this to U.S. measures on tariffs.)

Mr. Douglas: Mr. Douglas asked his second question; would a reference to the President's State of the Union message be useful?

The Chancellor of the Exchequer Butler: The Chancellor said that this would be helpful if something were going to happen. As he understood it, it was not only a question of what the Congress would do in the matter of trade but what the Executive Branch of the U.S. Government would put to Congress.

Mr. Burgess: Mr. Burgess referred to the Customs Simplification Act, Offshore Procurement and to the Reciprocal Trade Act as being measures which could be envisaged.

Sir Frank Lee: Sir Frank thought these would be helpful but not quite what the U.K. had in mind.

Mr. Burgess: Mr. Burgess, at this time, did not see that we could make statements of policy beyond those contained in the President's message. He stated that we are in deadly earnest to study these matters and it was not a question of simply lip service.

Mr. Douglas: Mr. Douglas referred to restrictions on trade and currencies which existed elsewhere. He mentioned the President's reference to broader markets and more dependable currencies and the importance which attached to initiative taken in these fields by countries.

The Chancellor of the Exchequer Butler: The Chancellor said that the U.K. would have to review the position of Western Europe if steps could not be taken along the lines the U.K. had proposed. He thought the EPU a "nice little working mechanism" but it was not a world-wide approach to the problems.

Sir Leslie Rowan: Sir Leslie recalled the commodity arbitrage scheme which some had interpreted as showing the weakness of European currencies in terms of the dollar. He thought he should mention the fact large amounts of sterling were available to the European countries through the EPU which would not be the case in the current proposals. He spoke of the task of the U.K. to recover its gold from the EPU repay the debt to the EPU. The U.K. would not wish to go back into deficit with the EPU. This was in partial response to Mr. Douglas' third question about the possibility of making an advance in trade liberalization on the European front.

Mr. Douglas: Mr. Douglas inquired concerning the usefulness of references to the President's message.

The Chancellor of the Exchequer Butler: The Chancellor responded that it would depend on the interpretation which could be placed on this message.

Mr. Douglas: Mr. Douglas did not think that this group, at this time, could engage in any interpretive remarks.

Mr. Burgess: Mr. Burgess referred to American investment abroad. It was the desire of the Administration to encourage such investments; it was, however, a two-way problem. Other countries would have to create the proper climate and certainly the sterling area could do much in this respect. Mr. Burgess said he admired the Chancellor's statement about being the "noblest way" of meeting the problem. He referred to the growing experience of the IBRD and the hope this held for the the future. Mr. Burgess then asked the Chancellor what he had in mind concerning international organizations.

The Chancellor of the Exchequer Butler: The Chancellor thought that the relationship of the EPU to the IMF should be carefully explored. It might show a way of bringing the IMF more into the world picture. He then referred to some of the problems which a smaller group might deal with:

1. A quick run-down of the sterling balance.
2. Certain institutional matters.

    (a) Relationship of IMF to EPU
    (b) Loosening up of the IMF

3. Spreading a flexible rate for sterling without the institution of convertibility. (A point which Mr. Bissell had raised earlier.)

(A working group was named and the time of its meeting was set to follow the close of the full meeting. Mr. Leddy and Sir Frank Lee were to discuss further the matter of Empire preferences and the relationship of this to the provisions of the GATT. It was also suggested that the working group might discuss investment and development matters if this proved to be possible.[3])

Mr. Douglas: Mr. Douglas inquired of the Chancellor if he thought it possible to draft a communiqué which would not speak of specific subjects but emphasize the necessity of further study.

The Chancellor of the Exchequer Butler: The Chancellor thought that references made to Mr. Bissell's proposals concerning offshore procurement would need a little more time. He did not want to feel rushed on this matter even though he recognized the Secretary of State had a schedule which called for his departure on Saturday. If this occurred, he thought it still would be possible to carry on the work here. He thought it would be a great mistake to issue a communiqué which contained just a few small morsels. The fact was that preliminary contact had been made with the U.S. and that while references to study might be considered very sensible by the public, the question would have to be answered: What actually happened? He felt that he had terrific responsibilities. He did not wish to go back to the Commonwealth with so little as to create a danger of poor relations between the Commonwealth and the U.S. He thought that a feeling of disappointment on the part of the Commonwealth might arise from such a development.

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[3] The U.S.-U.K. Working Group met twice on Mar. 6 and once on Mar. 7 to discuss sterling balances and investment. The minutes of these three meetings, which were largely exploratory, are in CFM files, lot M 88, box 164. No record of the discussions on Empire preferences and their relationship to GATT has been found in Department of State files.

Mr. Burgess: Mr. Burgess said that the end of these meetings should in no sense be interpreted as a termination of our interest in these subjects. Actually what we should make clear was that decisions were being deferred pending further study.

The Chancellor of the Exchequer Butler: The Chancellor said he was delighted with this statement and would accept it.

No. 388

611.41/3-653

United States Delegation Minutes of a Meeting of Secretary of State Dulles and Foreign Secretary Eden at the Department of the Treasury, March 6, 1953, 5 p.m.

TOP SECRET
WET MIN-4

Participants:

U.S.

Secretary Dulles
Secretary Humphrey
Mr. Douglas
Mr. Stassen
Mr. Burgess
Mr. Bissell
Mr. Overby
Mr. Linder
Mr. Gordon
Mr. Corbett
Mr. Locker
Dr. Hauge
Mr. Leddy—*Rapporteur*

U.K.

Foreign Secretary Eden
Chancellor of Exchequer Butler
Ambassador Makins
Sir Leslie Rowan
Sir Pierson Dixon
Sir Edwin Plowden
Sir Frank Lee
Sir Edmund Hall-Patch
Mr. D. H. F. Rickett
Mr. Parsons
Mr. R. W. B. Clarke
Mr. M. Stevenson
Mr. D. Allen
Mr. Shuckburgh
Mr. W. Armstrong

Chancellor of the Exchequer Butler: At the request of the Foreign Secretary the Chancellor read aloud a U.K. draft of a communiqué which might be issued at the close of the discussions. A copy of the text is attached.

Secretary of State Dulles: The Secretary thought that this was a good start and that the general tone of the British draft was in accord with our own thinking on the matter. He said that it might be wise to appoint a subcommittee to work on this, which might take into account some of the ideas that the U.S. had had with respect to a statement. He thought that we would like to connect up the communiqué with some of the things that had been mentioned in the President's State of the Union message indicating the lines on which we would be working.[1] He recalled that the President's message had suggested that if other countries would take certain necessary steps aimed at creating dependable currencies and enlarging their trade with each other, this would invite action by the U.S. He thought that these talks fitted into this pattern very well. There were a few specific points in the British draft of the communiqué which troubled him somewhat. He felt that the phrase "agreed to cooperate, etc." was perhaps too explicit and might carry with it the connotation of a commitment. The phrase "good creditor" was a kind of slogan which carried different meanings to different people. It might be better to describe the policies themselves. With respect to the reference in the British draft to the U.K. defense effort he felt that we ought not to single this out from the combined defense effort of the NATO. He was not quite sure what was meant by the reference to "all governments concerned". In order to get clarification on this and other points he thought there was need for a small drafting committee which could use these suggestions as well as those indicated in the President's message. He said that the U.S. side had every desire to have these discussions conclude on a hopeful note. He reported that he and his associates had told the President that the U.S. representatives had a feeling of genuine encouragement from the initiative which had been taken by the U.K. We had been impressed by the Chancellor's statement of the measures that have already been taken by the U.K. We felt that they were working on the right lines and we recognized that we also had measures that will have to be taken.

He recalled the statement made earlier by Secretary Humphrey to the effect that his (Mr. Humphrey's) job was harder than Mr. Butler's. So, he said, there was a very definite feeling in our ranks, which had been expressed to the President, that not only had the U.K. put forward a constructive idea but had also done much to put reality into it. What remains to be done may well be less than we had expected when the British first arrived and the gap that exists is probably one which can be closed. We have confidence in the U.K. and we want to do all that we can to preserve the momentum of this effort which it would be disastrous to allow to expire.

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[1] For the text of President Eisenhower's State of the Union message, delivered Feb. 2, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953*, pp. 12–34.

There was then some discussion of the desirability of linking together the communiqué on economic matters and on political subjects.[2] It was agreed that it would be unwise to do this since the political discussions had resulted in certain commitments, whereas we wanted to make it perfectly clear that no commitments had been entered into or had been originally intended in connection with the economic discussions. This purpose could be better served by having separate communiqués.

Foreign Secretary Eden: The Foreign Secretary asked whether Secretary Dulles could say anything more about his talks with the President.

Secretary of State Dulles: The Secretary thought that he would not be able to add very much to what he had already said. He and his associates had reported their view that while the time was not yet opportune to put a detailed plan into effect we had been encouraged by the U.K. initiative. We strongly felt that a momentum had been established which should be kept going and that we must make a contribution to this result. He said that this was one of those times when we must either go forward or be pushed backward. We can't stand still. The President had responded heartily to this. In the discussions with the President it was felt that these talks and their result fitted comfortably within the President's Message on the State of the Union.

Mr. Douglas: At the Secretary's request Mr. Douglas then read to the meeting a U.S. draft of a possible communiqué. The text of this is not reproduced in these minutes, since this basic text was substantially reflected in the communiqué finally agreed upon.[3] It was agreed that a small working group consisting of the Chancellor, Sir Leslie Rowan, Mr. Douglas and Mr. Burgess, together with a few advisers, would meet to reach agreement on the text of the communiqué, using the U.S. draft as a basis.

[Attachment]

British Draft Communiqué

[WASHINGTON, undated.]

The talks between representatives of the United Kingdom Government and of the United States Administration concluded today.

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[2] For text of the communiqué on the political talks, see Document 383.

[3] For the text of the final communiqué, see Document 391.

British Ministers explained the proposals discussed at the Commonwealth Conference in December of last year. They emphasized the efforts made by the Commonwealth Governments, including H.M. Government, in the United Kingdom to adopt internal policies designed to curb inflation, to liberate resources for export and to provide incentives for increased production.

2. The United States Government welcomed the initative which had been taken by the Commonwealth Economic Conference and agreed to cooperate in creating the necessary conditions for the eventual establishment of a world-wide system of freer trade and currencies.

3. In particular, they undertook to proceed further with the examination and prosecution of Good Creditor policies designed to rectify the imbalance as between the United States and the rest of the world and to ensure that the United States external current surplus should be effectively covered. Reference was made to the desirability of encouraging wherever possible the flow of trade on competitive terms which would help to rectify this imbalance, to the need for increasing the scale of U.S. investment in overseas territories and to the value of methods of supporting the U.K. defence effort whether by offshore purchases or in other ways.

4. It was agreed that further time would be needed for joint study of these fundamental questions and that the present meeting would be the first in a series of meetings between all the Governments concerned, the purpose of which would be to give practical effect in the economic field to the unity of purpose inspiring their policies.

No. 389

611.41/3-753

United States Delegation Minutes of a Meeting of Secretary of State Dulles and Foreign Secretary Eden at the Department of State, March 7, 1953, 11 a.m.

TOP SECRET

WET MIN-5

Participants:

U.S.	*U.K.*
Secretary Dulles	Foreign Secretary Eden
Secretary Humphrey	Chancellor of Exchequer Butler
Mr. Douglas	Ambassador Makins

Mr. Stassen
Mr. Burgess
Ambassador Aldrich
Mr. Linder
Mr. Overby
Mr. Gordon
Dr. Hauge
Mr. Williams
Mr. Locker
Mr. Southard
Mr. Leddy
Mr. White
Mr. Corbett—*Rapporteur*

Sir Leslie Rowan
Sir Edwin Plowden
Sir Frank Lee
Sir Pierson Dixon
Mr. Rickett
Sir Edmund Hall-Patch
Mr. Clarke
Mr. Parsons
Mr. Armstrong
Mr. Gore-Booth
Mr. Ridsdale
Mr. Shuckburgh

[Here follows a list of the subjects discussed.]

Communiqué:

The draft communiqué on economic matters was read, amended, and agreed by both sides. [1]

Western Europe:

Foreign Secretary Eden: The Foreign Secretary asked what was to be said to the OEEC. The U.K. does not intend to put detailed proposals to the Council. These would continue to retain their secret character. The Foreign Secretary hoped that the U.S. could agree to the aims set out in the Commonwealth communiqué and that this indication could be given to the Europeans. [2] He thought that this much was done in the communiqué which had just been discussed.

The problem is to work out the next stage in the OEEC. There would have to be consultations between the U.K. and the U.S. between now and March 23 when the British appear before the Council.

The Foreign Secretary also raised the question of the continuation of EPU and the right of withdrawal. The U.K. regarded, and he thought the U.S. did also, the EPU as a transitional institution. However, no consideration has been given to the manner in which the transition is to be made. He thought that the OEEC could well work on this matter and it was certainly something that had eventually to be faced up to.

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[1] For the text of the final communiqué, see Document 391.

[2] For the text of the communiqué issued at the end of the Commonwealth Prime Ministers meeting at London, Dec. 11, 1952, see *Documents* (R.I.I.A.) for 1952, pp. 62–67 or Department of State *Bulletin*, Mar. 16, 1953, pp. 397–399.

Mr. Stassen: The Director for Mutual Security thought the suggestion that the OEEC study means by which the EPU could be an approach to convertibility a good one.

He wished, however, to draw particular attention to the problem of withdrawal from the EPU. This should not be handled in such a way as to create uncertainty in the minds of the Europeans. Otherwise there would be an unsettling influence on the institution and would impair its effectiveness in performing its functions. The very existence of the right of withdrawal can decrease the value of an institution and the U.S. is very much concerned with this aspect of the matter.

Chancellor of the Exchequer Butler: The Chancellor thought that the OEEC would enjoy making the study he had proposed and that it would serve a useful function during this period. The U.K. proposed, of course, to insure the renewal of the EPU. The study would follow this step.

Sir Leslie Rowan: Sir Leslie thought that this matter of withdrawal might have to be considered under both headings—(1) the renewal of the EPU, and (2) the study of the future of EPU. He did not think, as had been suggested, that the matter of withdrawal could be limited only to the study aspect.

Chancellor of the Exchequer Butler: The U.K.'s point of view was to enlarge the area of freedom of trade and reduce the present compartmentalization represented by the OEEC. In doing this the U.K. certainly did not wish to disturb the satisfactory development of the EDC and the Schuman Plan.

Foreign Secretary Eden: The Foreign Secretary said he must revert to the same question that he had raised at the beginning of these meetings, that is, how discussions could be continued with the Commonwealth and how the matter could be broached with Western Europe. He wondered if it would possible to take up the topics we have been discussing along very general lines. The Foreign Secetary inquired whether there were anything in these ideas to which the U.S. would take objection. If there is something to which the U.S. would object then the U.K. would not want to take it up with the Western European countries.

Secretary of Treasury Humphrey: The Secretary remarked that we do not want to raise false hopes on the part of others. There was certainly no misunderstanding between the U.K. and the U.S. We understood what had transpired. Based upon the U.K. conception of the importance of the relaxation of U.S. tariffs, the question came in his mind as to what the U.K. could usefully say about our reactions. This is a matter which we must study in a practical way. Whether anything can be accomplished is certainly a subject to which we must give more thought.

Chancellor of the Exchequer Butler: The Chancellor said there were two aspects: (1) whether there was any objection in principle on our part, and (2) what was obtainable in practice. He thought it was easier for us to agree on the first point.

Secretary of State Dulles: The Secretary thought that a number of important and possibly bad consequences would ensue if a program was promoted in Europe which we all recognize could not be made effective unless a lot of other things happened. These other things would include trade measures and financial support.

U.K. conversations with the Europeans should not lead them to believe that there were predetermined conclusions on our part in these matters. The U.S. has not begun to study these questions. If the U.K. went out to sell such a notion to the Europeans there would indeed be complications.

Mr. Douglas: In addition to the remarks of Secretary Dulles and Secretary Humphrey, Mr. Douglas wished to raise some specific questions. He referred to his doubts about the sterling balance problem and also about the influence that a moving rate would have upon the position of sterling. These are in some respects technical matters and he had not studied them sufficently to have views. These are serious questions on which careful technical judgment would have to be sought.

Secretary of Treasury Humphrey: The Secretary stated that while we shared the objectives of the British he wondered how much of their thinking is based on achieving a certain balance of trade. He was not now in a position to see clearly, if at all, how this goal is to be achieved in a period of time which would permit the construction of plans.

Foreign Secretary Eden: The Foreign Secretary said the problem remains of what can be said to the Europeans.

Secretary of Treasury Humphrey: The Secretary did not see that any more could be said than that we share common objectives and that we are studying the problem.

Mr. Stassen: The Director for Mutual Security wondered if we might not also ask the OEEC to study the specifics of possible ways to expand trade between them and ourselves.

Chancellor of the Exchequer Butler: The Chancellor said that he would propose to be frank about the difficulties of achieving the desired pattern of trade and that he would emphasize that the U.S. Administration had not been long in power.

He thought that South Africa would be most disappointed because of the additional impact of the negative reaction to the gold question. Canada also presented him with some worries, but he thought the Canadians would prove to be more understanding.

Foreign Secretary Eden: The Foreign Secretary hoped that instructions might be sent to the U.S. Representative to the OEEC, Ambassador Draper, so that he might facilitate the British presentation to the Council on March 23. He thought that the proper attitude on the part of the U.S. Representative in Paris would be most helpful.

Mr. Stassen: The Director for Mutual Security referred to the fact that we would be having an exchange of views on this matter in the meantime.

Chancellor of the Exchequer Butler: The Chancellor felt he must say that the U.K. retain full rights to say whatever they wished about their own policies and views. It was only when the U.K. was making reference to the reactions and views of the U.S. that a careful line be followed.

Secretary of State Dulles: The Secretary said that we will study these matters and will have clearer ideas about our own plans and about the possibility of moving ahead later.

Secretary of Treasury Humphrey: The Secretary said that of course presentation of purely U.K. views was all right but it was important that our present position was not misrepresented. We would not want to mislead others by suggesting that the U.K. ideas have a greater currency with us than is in fact the case.

Chancellor of the Exchequer Butler: The Chancellor thought that some countries would derive some pleasure from this outcome, while there might be disappointments in several parts of the Commonwealth that we had not been able to go further. However, he would do all within his power to moderate the disappointment.

Mr. Stassen: The Director for Mutual Security asked that the Foreign Secretary and the Chancellor not underestimate the educational aspects of the talks we have had over the last few days.

Chancellor of the Exchequer Butler: The Chancellor thanked Mr. Stassen for his comments and hoped that there was no misunderstanding on the U.S. side concerning his remarks of yesterday morning.[3] He thought it was only fair that he raise certain questions with the U.S. representatives since, on the preceding day, so many questions had been raised with him about U.K. affairs.

The meeting adjourned after mutual expressions of good will and a desire to work towards our common objective.

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[3] For a record of the meeting at the Treasury during the morning of Mar. 6, see Document 387.

No. 390

611.41/3-753

Memorandum of Conversation, by the Assistant Secretary of State for Economic Affairs (Linder)

CONFIDENTIAL [WASHINGTON,] March 7, 1953.

Subject: U.S.-U.K. Talks

Participants: French Ambassador M. Bonnet
Pierre Francfort, Counselor of the French Embassy
Harold F. Linder—E

I had understood that the Under Secretary had promised the French Ambassador that we would keep him generally posted on our talks with the British. Accordingly, I saw M. Bonnet with Mr. Franctort, in my office a couple of hours after these conversations were concluded on March 7. I outlined the broad aspects on which we had talked following the lines of our communiqué and emphasized that we regarded the problem which the U.K. had been discussing with us as a multilateral one which went well beyond the British Commonwealth-U.S.

The Ambassador asked for elucidation on a few general points which I was able to give him and then asked particularly whether there had been any discussion of commodity stabilization to which reference had been made in the Commonwealth Conference communiqué. I replied in the negative. He also stated that much had been written about measures for making sterling convertible. This I acknowledged but said that I was not at liberty to comment on certain specific ideas which may have been touched upon in our talks with the British. I emphasized that the proposal was made by the U.K. and I thought it only proper that the details of it should be sought from them. The Ambassador confirmed the fact that he expected to see the Foreign Secretary before the latter left Washington.

At our final meeting with the British in the morning, [1] I took the occasion to inform the British Ambassador that I would be talking to M. Bonnet. This he understood and stated that he hoped to arrange to have the French Ambassador see Mr. Eden before the latter's departure.

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[1] For a record of this meeting, see WET MIN-5, *supra*

No. 391

Conference files, lot 59 D 95, CF 140

Communiqué on the United States–United Kingdom Economic and Financial Talks

WASHINGTON, March 7, 1953.

Representatives of the United States and the United Kingdom today concluded their discussions on measures for creating the economic and financial conditions under which the countries of the free world may be better able to earn their own living by their own industry. These conversations were informal and raised questions on which it was understood in advance that no commitments would be made.

The United Kingdom representatives explained the suggestions which emerged from the Conference of Commonwealth Prime Ministers, held in London in December of last year,[1] for measures which might be taken to restore balance in the world economy through the channels of commerce and to develop, by progressive stages, an effective multilateral trade and payments system over the widest possible area. These measures would involve action by the Commonwealth countries, the United States, the countries of continental Western Europe, and the countries that are members of existing international trade and financial institutions.

The discussions covered the internal and international conditions which would have to be established in order that each country might enjoy the human and material benefits of freer and dependable currencies and a larger volume of trade and commerce.

They also included a review of the overall economic and fiscal situation of the United States. Note was taken of the significant United States defense expenditures overseas, including off-shore purchases.

From these conversations, certain conclusions have emerged:

There is full agreement between the two governments that the solution of the economic problems of the free world is vital to its security and well being.

They also agree that the essential elements of a workable and productive economic system within the free world should include:

(a) Sound internal policies: international economic policies cannot succeed unless they are based on sound internal policies, by debtor as well as creditor countries. During the course of the conversations, the United States representatives made it clear that the

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[1] Regarding the Conference of Commonwealth Prime Ministers, see Documents 371 and 372.

Government of the United States welcomes the intention of the Commonwealth Governments, expressed in their December communiqué,[2] to follow the internal financial and economic policies needed to achieve a freer exchange of currencies and trade.

(b) Freer trade and currencies: the freeing and expansion of world trade must cover currencies as well as trade. On the financial side the objective should be the eventual convertibility of sterling and other currencies and the gradual removal of restrictions on payments. On the trade side the objective should be to bring about the relaxation of trade restrictions and discriminations in a way which, in the words of President Eisenhower's State of the Union Message, "will recognize the importance of profitable and equitable world trade".[3] It is in the interest of the United States to take such measures as are exemplified in the President's Message in order that the members of the free world may the better pay their way by their own efforts.

(c) Development: the creation of conditions, both by creditor and by debtor countries, which will foster international investment and the sound development of the resources of the free world. In this connection, the Government of the United States emphasized its intention to encourage the flow of investment abroad.

(d) Organization: international institutions should be constructively used to promote these policies.

The Government of the United States welcomes the initiative taken by the United Kingdom Government in connection with these problems of common concern.

The two Governments believe that there is reason to hope for continued progress toward a better balanced, growing world trade and toward the restoration of a multilateral system of trade and payments. The nature and scope of the measures which may be taken by governments to further such progress, and the timing of such measures, will require further study.

The Government of the United States will undertake, and continue over the next several months, an intensive examination and review of the general subjects discussed at the present meetings, including the suggestions resulting from the Commonwealth Economic Conference, and possible alternative suggestions, in order to arrive at a sound judgment with respect to the specific courses of action which might be taken. The two Governments intend to have further discussions with each other, with other governments, and with the international organizations concerned, including the Organization for European Economic Cooperation.

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[2] For the text of this communiqué, see *Documents* (R.I.I.A.) for 1952, pp. 62–67 or Department of State *Bulletin*, Mar. 16, 1953, pp. 397–399.

[3] For the text of President Eisenhower's State of the Union message, delivered Feb. 2, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953*, pp. 12–34.

[Here follows a list of the representatives participating in the talks.]

D. Continuing Relations With the United Kindgom, March 1953–December 1954; Prime Minister Churchill's Correspondence With President Eisenhower; U.S. Concern Over Prime Minister Churchill's Health; Secretary Dulles' Visit to London, April 11–13, 1954; Economic Assistance for the United Kingdom; U.S. Reaction to Prime Minister Churchill's Proposal for a Four-Power Meeting With or Solitary Pilgrimage to the Soviet Union; Reports on Meetings of the Commonwealth

No. 392

Eisenhower Library, Eisenhower papers, Whitman file

Prime Minister Churchill to President Eisenhower [1]

TOP SECRET [LONDON, March 11, 1953.]

I am sure that everyone will want to know whether you still contemplate a meeting with the Soviets. I remember our talk at Bernie's [2] when you told me I was welcome to meet Stalin if I thought fit and that you intended to offer to do so. I understood this as meaning that you did not want us to go together, but now there is no more Stalin I wonder whether this makes any difference to your view about separate approaches to the new regime or whether there is a possibility of collective action. When I know how you feel now that the personalities are altered I can make up my own mind on what to advise the Cabinet.

I have the feeling that we might both of us together or separately be called to account if no attempt were made to turn over a leaf so that a new page would be started with something more coherent on it than a series of casual and dangerous incidents at the many points of contact between the two divisions of the world. I cannot doubt you are thinking deeply on this which holds the first place in my thoughts. I do not think I met Malenkov but Anthony and I have done a lot of business with Molotov.

I am so glad we have reached an agreement about joint negotiations in Egypt.

Kindest regards.

WINSTON

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[1] This message was transmitted in a letter from Ambassador Makins to President Eisenhower, dated Mar. 11.

[2] Prime Minister Churchill had visited Bernard Baruch in New York City during the first week of January 1953; regarding his discussions with President-elect Eisenhower at that time, see Document 373.

No. 393

711.11 EI/3-1153

President Eisenhower to Prime Minister Churchill [1]

TOP SECRET

WASHINGTON, March 11, 1953.

The subject raised in your message of today [2] has been engaging our attention here for some days. We are convinced that a move giving to the world some promise of hope, which will have the virtues of simplicity and persuasiveness, should be made quickly. A number of ideas have been advanced, but none of them has been completely acceptable.

At our meeting in New York [3] I by no means meant to reject the possibility that the leaders of the West might sometime have to make some collective move if we are to achieve progress in lessening the world's tensions.

However, even now I tend to doubt the wisdom of a formal multilateral meeting since this would give our opponent the same kind of opportunity he has so often had to use such a meeting simultaneously to balk every reasonable effort of ourselves and to make of the whole occurrence another propaganda mill for the Soviet. It is entirely possible, however, that your government and ourselves, and probably the French, should agreed upon some general purpose and program under which each would have a specific part to play.

I am sure that Foster Dulles will attempt to keep in rather close touch with Anthony regarding possibilities and any tentative conclusions we may reach.

Warm regards.

IKE

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[1] This message was transmitted in telegram 6047 to London, Mar. 11, for immediate delivery to Prime Minister Churchill. Also included in the telegram was the text of Churchill's message, *supra*.

[2] *Supra*.

[3] For a record of President Eisenhower's conversations in New York with Prime Minister Churchill at the beginning of January, see Document 373.

No. 394

Presidential Correspondence, lot 66 D 204, "Churchill Correspondence with Eisenhower"

Prime Minister Churchill to President Eisenhower

PERSONAL AND PRIVATE [LONDON, April 6, 1953.]

1. Anthony and I have been thinking a good deal, as we know you have also, about the apparent change for the better in the Soviet mood. I am sure we shall be in agreement with you that we must remain vigilantly on our guard and maintain all that process of defensive rearmament from which any real improvement must have resulted. We think, as I am sure you do also, that we ought to lose no chance of finding out how far the Malenkov regime are prepared to go in easing things up all round. There seem certainly to be great possibilities in Korea and we are very glad of the steps you have taken to resume truce negotiations.

2. For our part we are sending our Ambassador back to Moscow with instructions to try to settle with Molotov a number of minor points which concern Britain and Russia alone and have caused us trouble in the last few years. None of these are of major importance: they include such matters as the recent Soviet notice of intention to terminate the temporary Anglo-Soviet Fisheries Agreement of 1930, the cases of certain individual British subjects in Russia, exchange rates and restrictions on movements. Talks on them may give us some further indication of the depth of the Soviet purpose. We shall of course gladly keep your people informed of how we progress.

3. It may be that presently the Soviets will make overtures for some form of direct discussion of world problems, whether on a Four Power basis or in some other manner. I assume of course that we shall deal in the closest collaboration with any such overtures if they are made.

4. I am sending you today a reply to your letter of the 19th about Egypt.[1]

WINSTON

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[1] For text of Eisenhower's letter of Mar. 19 and Churchill's response dated Apr. 5, see vol. IX, Part 2, pp. 2027 and 2042.

No. 395

711.11 EI/4-853

President Eisenhower to Prime Minister Churchill [1]

PERSONAL AND SECRET WASHINGTON, April 6, 1953.

DEAR WINSTON: Thank you very much for your cabled message which reached me this morning. [2] I feel sure that you will find our thinking on the subject largely paralleling your own. We feel that it is entirely possible that you will realize your hope of exploring further into the sincerity of the Soviet intentions through your impending negotiations with them on fisheries and so on.

I am considering the delivery of a formal speech, with the purpose of setting concretely before the world the peaceful intentions of this country. I would hope to do this in such a way as to delineate, at least in outline, the specific steps or measures that we believe necessary to bring about satisfactory relationships with resultant elimination or lowering of tensions throughout the world. These steps are none other than what our governments have sought in the past. I have been working on such a talk for some days and will soon be in a position to show it to your Ambassador, who will of course communicate with you concerning it. While I do not presume to speak for any government other than our own, it would be useless for me to say anything publicly unless I could feel that our principal allies are in general accord with what I will have to say. I am particularly anxious that this be true of Britain, and I think it also necessary to check with France and, as regards Germany, with Adenauer who arrives here tomorrow. [3]

This whole field is strewn with very difficult obstacles, as we all know; but I do think it extremely important that the great masses of the world understand that, on our side, we are deadly serious in our search for peace and are ready to prove this with acts and deeds and not merely assert it in glittering phraseology. This presupposes prior assurance of honest intent on the other side.

With warm regard,

IKE

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[1] This message was transmitted to London in telegram 6658, Apr. 8.

[2] *Supra.*

[3] For documentation on Chancellor Adenauer's visit to Washington, Apr. 7-9, 1953, see vol. VII, Part 1, pp. 424 ff.

No. 396

711.11 EI/4-853: Telegram

The Secretary of State to the Embassy in the United Kingdom [1]

TOP SECRET   WASHINGTON, April 8, 1953—4:37 p. m.
PRIORITY

6665. Eyes only Aldrich. Pls inform Churchill and Mayer in strict confidence that in light apparent shift in Sov tactics since death Stalin, Pres has decided he shld in near future address American people on present world situation. Broadcast now planned for Apr 16. In view importance of issues involved and necessity at this critical time closest consultation between us and our major allies Pres desires them to be informed line he proposes take.

There follows summary main points proposed address for info Churchill and Mayer. No objection their reading summary but copies shld not be left with them. You shld stress necessity holding this info strict secrecy. [2]

FYI. Secy will similarly inform Adenauer tomorrow. [3]

Begin summary.

At the end of World War II all men hoped for a just and lasting peace, but in the eight years that have passed, the United States and the other free nations have followed one road to security, while the Soviet Union chose another. Adhering to principles of mutual trust and mutual aid, our way was faithful to the spirit that inspired the United Nations, whereas the Soviets have sought the path of power superiority at all costs. The amassing of Soviet power has compelled the free nations to rearm and to adopt measures of collective self-defense. The result is that mankind seems to face alternatives of atomic war at worst, or life of perpetual fear and tension at best. Is there no other way the world may live?

With the death of Stalin, the new Soviet leadership has the opportunity to make its own future and to free itself, if it wishes, from the incubus of the past. This new Soviet leadership confronts an aroused free world which knows that Western Europe can and will be made secure against attack only by swift completion of the structure of the EDC. It also knows that Western Germany must be made a free and equal partner in this community, this being for Germany the only way to full and final unity. The free world also knows that aggressions in Korea and in Southeast Asia are threats to the whole free community to be met by united action.

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[1] Drafted by Bonbright and Thurston and cleared with Matthews and Nitze. Repeated to Paris and Bonn, eyes only for Dillon and Reber.

[2] Regarding Mayer's reaction to the proposed speech, see telegram 5401 from Paris, Apr. 9, Part 2, Document 590.

[3] Regarding the discussion of the proposed speech with Adenauer on Apr. 9, see Riddleberger's memorandum, Apr. 9, vol. VII, Part 1, p. 447.

Will the new Soviet leadership take advantage of this present moment of decision to help turn the tide of history? Recent Soviet statements and gestures give some evidence of recognizing the critical moment before us, but we are impatient of mere rhetoric. We care only for sincerity, tested by deeds.

With all who will enter upon the work in good faith we are ready to strive to a real peace and carry out four great necessary tasks.

The first task is the ending of the wars and aggressions in Asia. This means much more than a truce in Korea. It means a secure and united Korea—and an end to the direct and indirect attacks upon the security of the peoples in Indochina and Malaya. We are ready to take our part in restoring in Korea a peace that will include the following:

> (1) the immediate cessation of hostilities coincidentally with the voluntary exchange of prisoners;
>
> (2) the holding of free elections under UN supervision in the reunited part of Korea;
>
> (3) the extending of American aid to rebuild housing, transportation and industries in all parts of Korea;
>
> (4) the establishment of a "neutral zone" in northern Korea along the Yalu river;
>
> (5) thereafter the withdrawal of all foreign troops from a free and secure Korea.

The second great task is the achievement of just political settlements for other immediate and specific issues between the Soviets and the free world:

> (1) We are ready to begin by speeding the conclusion of a treaty with Austria which will free that country from economic exploitation and occupation by foreign troops.
>
> (2) We are ready not only to press forward with the present plans for closer unity of the nations of Western Europe but on that foundation also to strive to foster a broader European community conducive to the free movement of persons, of trade, and of ideas.
>
> (3) This community would include a free and united Germany, with a government based upon free and secret elections.
>
> (4) It would mean the return of the Eastern European nations to the community of free nations, and so end the present unnatural division of Europe.

The third great task is the reduction of the burden of armaments. We are ready to enter into most solemn agreements including the following:

> (1) the limitation, by absolute numbers or by an agreed international ratio, of the sizes of the military and security forces of all nations;
>
> (2) a commitment by all nations to limit to a small fixed percentage (or even a sliding-scale percentage) of total production that proportion of certain strategic materials, particularly steel, to be devoted to military purposes;

(3) international control of atomic energy to ensure and to promote its use for peaceful purposes only and prohibition on weapons of mass destruction;

(4) the enforcement of all these agreed limitations by adequate safeguards, including a practical system of inspection under the United Nations.

The fourth and greatest of all the tasks, stemming from the successful carrying out of the first three tasks, would be a new kind of war, not upon any human enemy, but upon the brute forces of poverty and need. The United States Government is ready to ask its people to join with all nations in devoting a substantial percentage of the savings achieved by disarmament to a fund for world aid and relief to help other peoples to develop the underdeveloped areas of the world, to stimulate profitable and fair world trade, to assist all peoples to know the blessings of productive freedom.

By carrying out these major tasks we are ready to make the United Nations an institution that can effectively guard the peace and security of all peoples.

What is the Soviet Union ready to do? Is its new leadership prepared to use its decisive influence in the communist world, including control of the flow of arms, to bring not merely an expedient truce in Korea but genuine peace in Asia? Is it prepared to allow other nations, especially in Eastern Europe, the free choice of their own forms of government and the right to associate freely with other nations in a worldwide community of law? Is it prepared to act in concert with others upon serious disarmament proposals to be made firmly effective by stringent UN control and inspection?

If not, where then is the concrete evidence of the Soviet concern for peace?

If we fail to strive to seize this moment's precious chance to turn the tide, the judgment of future ages would be harsh and just, but if we strive, but fail, it will be clear who has condemned humankind to this black fate.

DULLES

No. 397

Eisenhower Library, Eisenhower papers, Whitman file

Prime Minister Churchill to President Eisenhower [1]

[LONDON,] April 11, 1953.

Thank you so much for sending me an advance copy of your proposed speech. [2] This is indeed a grave and formidable declaration.

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[1] The source text was attached to a letter from Makins to President Eisenhower, dated Apr. 11.

[2] Transmitted in telegram 6665, *supra*.

You will not I am sure, expect me to commit Her Majesty's Government to the many vital points with which it deals except to say that we are, as ever, wholly with you in the common struggle against communist aggression.

2. I believe myself that at this moment time is on our side. The apparent change of Soviet mood is so new and so indefinite and its causes so obscure that there could not be much risk in letting things develop. We do not know what these men mean. We do not want to deter them from saying what they mean. Hitherto they have been the aggressors and have done us wrong at a hundred points. We cannot trade their leaving off doing wrong against our necessary defensive measures and policies which action demands and has procured.

3. Nevertheless, great hope has arisen in the world that there is a change of heart in the vast, mighty masses of Russia and this can carry them far and fast and perhaps into revolution. It has been well said that the most dangerous moment for evil governments is when they begin to reform. Nothing impressed me so much as the doctor story. [3] This must cut very deeply into communist discipline and structure. I would not like it to be thought that a sudden American declaration has prevented this natural growth of events.

4. All this comes to a particular point upon Korea. I was hoping that at least we should secure at this juncture a bona fide, lasting and effective truce in Korea which might mean the end of that show as a world problem. Indeed, if nothing more than this happened everyone would rejoice. I hope that you will consider what a tremendous score it would be for us all if we could bring off this truce. It seems to me very unlikely that the terms you require for a later political settlement of Korea as set out in your statement would be accepted as they stand by the other side. I fear that the formal promulgation of your five points at this moment might quench the hope of an armistice.

5. Anthony and I have in mind important comments we could make on your text, but we are not putting them forward now as we hope that our arguments will persuade you to bide your time. We cannot see what you would lose by waiting till the full character and purpose of the Soviet change is more clearly defined and also is apparent to the whole free world. I always like the story of Napoleon going to sleep in his chair as the battle began, saying "Wake me when their infantry column gets beyond the closest wood".

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[3] Documentation on the doctors' plot, announced in the Soviet press on Jan. 13, 1953 is scheduled for publication in volume VIII.

6. In Anthony's unfortunate but temporary illness I have had to take over the Foreign Office. But this telegram is addressed to you as part of our personal correspondence. I am however showing it to Makins and Aldrich.

7. Pray let me know what you decide.

Kindest regards,

WINSTON

No. 398

611.00/4-1153

President Eisenhower to Prime Minister Churchill [1]

PERSONAL AND SECRET WASHINGTON, April 11, 1953.

DEAR WINSTON: I deeply appreciate your offer to allow me to go over certain excerpts from your forthcoming book, [2] and I am grateful for your expressed anxiety to avoid saying anything that could possibly hurt our relations either directly or indirectly. Although I am so pressed at the moment that I could not go over them personally, Bedell Smith, who, as you know, was my constant companion in the days of which you are now writing, would be glad to perform this service for me. His current position as our Under Secretary of State also makes him peculiarly sensitive to any possible expressions of thought that could have a jarring effect upon our mutual relations. Consequently, if you will send the excerpts to Bedell he will go over them and return them to you at the earliest possible moment.

With regard to your concern about the speech that I must give on April 16th, [3] I have a considerable sympathy with your point that we must be careful to avoid anything that would make the Russians retreat into their shell, if they are, in fact, sincere in extending certain feelers for peace. Nevertheless, the time has come in this country when something must be said by me on the whole subject, and of course it cannot be a meaningless jumble of platitudes. I shall consequently soften the parts concerning Korea, and change certain other expressions so that there can be no misinterpretation of our position to be fully and completely receptive in any peace proposals, while at the same time never letting down our guard. I think we must all realize it is primarily our own growing and combined strength that is bringing about a change in the Russian attitude, and that if this is a sincere change we must not be lulled into complacency just as surely as we must not be belligerent or truculent. That is the attitude for which I shall strive in this talk.

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[1] Transmitted to London in telegram 6752, Apr. 11.

[2] According to the table of contents in Presidential Correspondence, lot 66 D 204, Churchill, in a message dated Apr. 9 (no copy of which has been found in Department of State files), had offered to let the President see passages from his forthcoming book.

[3] See the message from Churchill, *supra*.

As for the matter of timing, of course no one can accurately gauge the probable influence of an early statement as opposed to a later one. However, since I am obligated beyond any possibility of withdrawal to making a speech on this general subject, I suggest that you cable at once any comments that you and Anthony may wish to make after reading what I have had to say in this message. While I cannot agree in advance to be guided by all of them, I shall certainly consider them prayerfully.

With warm regard,

IKE

No. 399

Eisenhower Library, Eisenhower papers, Whitman file

Prime Minister Churchill to President Eisenhower

PERSONAL AND SECRET [LONDON, April 11, 1953.]

Thank you so much for your very kind message.[1] I do not seek any share of responsibility in the speeches you make to the United States although they play so vital a part in the fortunes of the world. You may be sure that we shall stand by you on fundamentals. The question of timing did however press upon me. It would be a pity if a sudden frost nipped spring in the bud or if this could be alleged even if there was no real spring. I do not attempt to predict what the Soviet change of attitude and policy and, it seems to me of mood means. It might mean an awful lot. Would it not be well to combine the re-assertions of your and our inflexible resolves with some balancing expression of hope that we have entered upon a new era. A new hope has I feel been created in the unhappy bewildered world. It ought to be possible to proclaim our unflinching determination to resist communist tyranny and aggression and at the same time though separately to declare how glad we should be if we found there was a real change of heart and not let it be said that we had closed the door upon it.

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[1] *Supra.*

2. Since you kindly invite me to make a few detailed comments I venture to append a few suggestions.

3. I have to make a speech on the 17th and hope to use the theme "We are firm as a rock against aggression but the door is always open to friendship".

4. About the book. I am delighted that Bedell should vet it for you and I will communicate with him.

5. Anthony's operation this morning is reported to have been completely successful and was absolutely necessary.

Appendix

Comments Prepared by Prime Minister Churchill

SECRET

These are my comments:—

1. No reference is made to the North Atlantic Treaty Organization while great stress is laid upon the E.D.C., would it not be well to place E.D.C. within the wider scope of our developing North Atlantic Community?

2. There is also no reference to the problem of China and the Far East generally. Could not this be covered by adding to your paragraph about Korea some words about the need to find a basis for future peace in the whole Far Eastern area?

3. Thirdly we are not sure what is meant about the "reunited part of Korea". Does it mean South Korea and North Korea less the neutral zone? In considering such a "neutral zone" much would depend upon the width.

4. In your section about armaments the thought behind paragraph 2 is new to me. As you alone produce at least three times the Soviet steel production this would not be likely to suit their fancy.

5. Sub-paragraphs 3 and 4 about the control of atomic energy are, I presume, a continuance of the position which Bernie Baruch's committee took up in 1946 and on which we have rested ever since and must continue to rest.

6. Finally I am entirely with you on not letting Adenauer down. He seems to me the best German we have found for a long time. [2]

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[2] On Apr. 13 President Eisenhower replied that he agreed with the tenor of Churchill's comments and would strive in his speech not to "freeze the tender buds of sprouting decency, if indeed they are really coming out." (Telegram 6773 to London; 611.00/4-1353)

No. 400

Editorial Note

On April 16, President Eisenhower delivered the address about which he had consulted with Churchill, Mayer, and Adenauer. For the text of the address, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953,* pages 179–188, or Department of State *Bulletin*, April 27, 1953, pages 599–603. Reaction to the speech as reported from the various United States posts abroad is in file 611.00.

No. 401

Presidential Correspondence, lot 66 D 204, "Churchill Correspondence with Eisenhower"

Prime Minister Churchill to President Eisenhower

SECRET LONDON, April 22, 1953.

MY DEAR FRIEND: Thank you very much for your letter of April 7th about Egypt on which I am pondering. [1] I conveyed your message to Anthony who was cheered by it. He is having a hard time but is progressing. As you know, we are having our first meeting with the Egyptians on the 27th and nothing will be agreed to by us except as part of a "package" settlement. [2]

Your speech about Russia was well received here by all parties. [3] I append my statement and that made by Herbert Morrison in reply. [4] No dissent was expressed in any part of the House.

I should like to know what you think should be the next step. Evidently we must wait a few days for their reply or reaction. It is not likely that the Soviets will agree about the release of the satellites or a unified Korea. There will, however, be a strong movement here for a meeting between Heads of States and Governments. How do you stand about this? In my opinion the best would be that the three victorious powers, who separated at Potsdam in 1945, should come together again. I like the idea you mentioned to me of Stockholm. I am sure the world will expect something like this to emerge if the Soviets do not turn your proposals down abruptly.

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[1] Not printed.

[2] For documentation on the Anglo-Egyptian talks, held at Cairo, Apr. 27–May 6, 1953, concerning Suez, see vol. IX, Part 2, pp. 2051 ff.

[3] Regarding President Eisenhower's speech on Apr. 16, see the editorial note, *supra*.

[4] Neither printed.

If nothing can be arranged I shall have to consider seriously a personal contact. You told me in New York you would have no objection to this.[5] I should be grateful if you would let me know how these things are shaping in your mind.

Yours ever,

WINSTON

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[5] Regarding Churchill's conversations with Eisenhower at New York during the first week of January 1953, see Document 373.

No. 402

611.00/4-2553

President Eisenhower to Prime Minister Churchill [1]

TOP SECRET WASHINGTON, April 25, 1953.

DEAR WINSTON: I am glad to learn from your message of April 22 [2] that Anthony is progressing and hope he will soon be completely restored.

Your comments about the reception of my recent speech were most welcome and I warmly appreciate the support contained in your statement in the House of Commons and Mr. Morrison's reply.

As to the next step, I feel that we should not rush things too much and should await the Soviet reply or reaction longer than a few days. There is some feeling here also for a meeting between Heads of States and Governments, but I do not think this should be allowed to press us into precipitate initiatives. Premature action by us in that direction might have the effect of giving the Soviets an easy way out of the position in which I think they are now placed. We have so far seen no concrete Soviet actions which would indicate their willingness to perform in connection with larger issues. In the circumstances we would risk raising hopes of progress toward an accommodation which would be unjustified. This is not to say, of course, that I do not envisage the possible desirability at an appropriate time that the three Western Powers and the Soviets come together. We should by all means be alert.

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[1] This message was transmitted to London in telegram 7047, Apr. 25.

[2] Not printed; in it Churchill stated that the President's speech on Apr. 16 (see Document 400) had been well received, asked what the next step should be with regard to contacts with the Soviet Union, and enclosed copies of his and Morrison's statements in the House of Commons concerning Eisenhower's speech. (Presidential Correspondence, lot 66 D 204)

My thinking concerning a personal contact at this moment runs somewhat along the same line. The situation has changed considerably since we talked in New York [3] and I believe that we should watch developments for a while longer before determining our further course. However, if your should find it necessary for some special and local reason to seek a personal contact, we would hope for as much advance notice as you could possibly give us.

With warm regards,

As ever,

IKE

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[3] Regarding President Eisenhower's conversation with Prime Minister Churchill in New York at the beginning of January 1953, see Document 373.

No. 403

Editorial Note

During the course of the Eleventh Session of the North Atlantic Council at Paris, April 23–25, Secretary Dulles and other United States officials held a series of meetings with their British counterparts to discuss economic assistance and certain aspects of United States foreign policy. For the records of these meetings, see telegrams 5623 and 5667 from Paris, April 23 and 26, volume V, Part 1, pages 371 and 385.

No. 404

Presidential Correspondence, lot 66 D 204, "Churchill Correspondence with Eisenhower"

Prime Minister Churchill to President Eisenhower [1]

PERSONAL AND CONFIDENTIAL

[LONDON,] May 4, 1953.

I thought of sending something like the following to Molotov:

Begins: I had hoped you and Eden might soon be having a talk about things as you know each other so well, but his unfortunate illness will prevent this for some time. I wonder whether you would like me to come to Moscow so that we could renew our own war-time relation and so that I could meet Monsieur Malenkov and others of your leading men. Naturally I do not imagine that we could settle any of the grave issues which overhang the immediate future of the world, but I have a feeling that it might be helpful if our intercourse proceeded with the help of friendly acquaintance and goodwill instead of impersonal diplomacy and propaganda. I do not see how this could make things worse. I should of course make it clear I was not expecting any major decisions at this informal meeting but only to restore an easy and friendly basis between us such as I have with so many other countries. Do not on any account suppose that I should be offended if you thought the time and circumstances were unsuitable or that my thought and purpose would be changed. We have both of us lived through a good lot. Let me know how you and your friends feel about my suggestion. *Ends.*

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[1] A notation on the source text indicates the message was transmitted by Sir Christopher Steel.

The sort of date I have in mind would be three or four days in last week of May. All good wishes.

WINSTON

No. 405

Eisenhower Library, Eisenhower papers, Whitman file

President Eisenhower to Prime Minister Churchill [1]

TOP SECRET WASHINGTON, May 5, 1953.

DEAR WINSTON: Thank you for yours of May 4th [2] giving me the lines of a message you are thinking of sending to Molotov. Foster and I have considered it deeply and since you sought my views I must say that we would advise against it.

You will pardon me, I know, if I express a bit of astonishment that you think it appropriate to recommend Moscow to Molotov as a suitable meeting place. Uncle Joe used to plead ill health as an excuse for refusing to leave territory under the Russian flag or controlled by the Kremlin. That excuse no longer applies and while I do not for a minute suggest that progress toward peace should be balked by mere matters of protocol, I do have a suspicion that anything the Kremlin could misinterpret as weakness or overeagerness on our part would militate against success in negotiation.

In my note to you of April 25th [3] I expressed the view that we should not rush things too much and should not permit feeling in our countries for a meeting between heads of states and government to press us into precipitate initiatives. I feel just as strongly now as I did ten days ago that this is right, and certainly nothing that the Soviet Government has done in the meantime would tend to persuade me differently. I do not feel that the armistice negotiations are going well and this to me has been the first test of the seriousness of Communist intentions.[4] Far from there having been any Communist actions which we could accept as indications of such seriousness of purpose the *Pravda* editorial repeats all the previous Soviet positions[5] and we are now faced with new aggression in Laos.

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[1] The source text was attached to a memorandum from President Eisenhower to Secretary Dulles asking that it be dispatched to the Prime Minister. Also attached was slightly different draft, dated May 4.

[2] *Supra.*

[3] Document 402.

But in my mind the most important considerations are the results which might be expected to flow from such a personal contact and the effect of such a meeting on our allies, the free world in general, and the Russians themselves. It would of course finally become known that you had consulted me, and it would be difficult for me to explain the exact purpose of the visit. Beyond this, failure to consult the French would probably infuriate them, especially when the situation in Indochina is hanging in the balance. If they were consulted in advance, the result would almost certainly be a proposal for a four-party conference, and this, I am convinced, we are not ready for until there is some evidence, in deeds, of a changed Soviet attitude.

Many would expect dramatic and concrete achievements from a personal visit to Moscow by the Prime Minister of Great Britain. Whatever you said publicly about the purposes of your solitary pilgrimage, I suspect that many in the Far East as well as the West would doubt that you would go all the way to Moscow merely for good will. I feel this would be true in this country, and the effects on Congress which is this week taking up consideration of our Mutual Defense Program and extension of our Reciprocal Trade Act, would be unpredictable. It seems to me that in this crucial period when the Soviet peace offensive is raising doubts in people's minds, the thing we must strive for above all other is to maintain mutual confidence among the members of NATO and other free nations and to avoid any action which could be misinterpreted. Naturally the final decision is yours, but I feel that the above factors are so important that I should in all candor and friendship lay them before you.

As ever,

IKE E.

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[4] For documentation on the Korean Armistice negotiations, see volume XV.

[5] Presumably this is a reference to the editorial in *Pravda*, Apr. 25, 1953, which provided a critique of President Eisenhower's speech on Apr. 16.

No. 406

Eisenhower Library, Eisenhower papers, Whitman file

Prime Minister Churchill to President Eisenhower [1]

TOP SECRET [LONDON, May 7, 1953.]

Thank you for your telegram of May 5th. [2] According to my experience of these people in the war we should gain more by goodwill on the spot by going as guests of the Soviets than we should lose by appearing to court them. This was particularly the case when Anthony and I spent a fortnight in Moscow in October 1944. I am not afraid of the "solitary pilgrimage" if I am sure in my heart that it may help forward the cause of peace and even at the worst can only do harm to my reputation. I am fully alive to the impersonal and machine-made foundation of Soviet policy although under a veneer of civilities and hospitalities. I have a strong belief that Soviet self-interest will be their guide. My hope is that it is their self-interest wich will bring about an easier state of affairs.

2. None of the four men who I am told are working together very much as equals, Malenkov, Molotov, Beria and Bulganin has any contacts outside Russia except Molotov. I am very anxious to know these men and talk to them as I think I can frankly and on the dead level.

3. It is only by going to Moscow that I can meet them all and as I am only the head of a Government, not of a state, I see no obstacle. Of course, I would much rather go with you to any place you might appoint and that is, I believe, the best chance of a good result. I find it difficult to believe that we shall gain anything by an attitude of pure negation and your message to me certainly does not show much hope.

4. I will consult with my colleagues upon the position and your weighty adverse advice. At any rate, I will not go until after your budget has been settled by Congress which would mean my delaying till after the Coronation [3] and about the end of June. Perhaps by then you may feel able to propose some combined action. I deeply appreciate the care and thought you have bestowed on my suggestion.

5. I have also today telegraphed as acting Foreign Secretary to Foster Dulles about the United States offering arms to Egypt at

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[1] The source text was attached to a note of transmission from Makins to President Eisenhower, dated May 7, 1953.

[2] *Supra.*

[3] Queen Elizabeth II was coronated on June 2, 1953.

this critical juncture. I presume this telegram will also be laid before you.[4]

With kind regards.

[WINSTON]

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[4] See telegram 5929 from London, May 5, vol. IX, Part 2, p. 2055.

No. 407

Eisenhower Library, Eisenhower papers, Whitman file

President Eisenhower to Prime Minister Churchill

SECRET WASHINGTON, May 8, 1953.

DEAR WINSTON: I like to have your letters.

Your latest one to me was on the subject of your possible visit to Moscow.[1] I gave you my frank comments, and these included the views of my principal advisers, such as Foster Dulles and others.[2] I did try to make it clear that I recognized very clearly your right to make your own decision in such matters. Certainly I share one simple thought with you—this thought is that I would not admit that any consideraton of protocol or of personal inconvenience had any slightest weight as compared to a possible chance of advancing the cause of world peace. My own comments to you were addressed solely and exclusively to the possible effects of your projected visit on friends—and others not so friendly.

As of the moment, I am far more concerned in the specific trouble spots of the world. Korea, of course, there still is. Alongside of it we must place in our concern Southeast Asia—with especial emphasis on the new invasion in Laos—and the frustrating situations in Iran and Egypt. This makes no mention of the famine conditions in Pakistan and the still unsettled quarrel between that country and India over the Kashmir problem.

I know that some of our people had talks with your Mr. Butler about a possible new approach to the Iranian affair. In my own official family, George Humphrey was very hopeful that he might be of assistance in getting that situation straightened out, but now he tells me that a letter from Mr. Butler rejects the suggestion we had to offer. This was the offer involving the suggestion that a number of our major oil companies might buy out British interests and start afresh in that region. Mr. Humphrey reported to me that your Government felt it very unwise to make any further attempts to settle the Iranian problem, even through the expedient of selling out to a group of commercial companies.

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[1] *Supra.*

[2] A reference to Document 405.

Of course I do not know for certain that we here could have made the necessary arrangements to have permitted these companies to go ahead without the risk of prosecution under our antitrust laws, but it is disturbing to gain the impression that your Government now considers the situation absolutely hopeless and believes that it would be preferable to face the probability of the whole area falling under Russian domination than to look for a new approach. We appreciate, of course, your concern for proper respect for contracts in the world; we thoroughly understand your conviction that anything that could be interpreted as additional retreat on your part might set loose an endless chain of unfortunate repercussions in other areas of the globe. Nevertheless, I still regard that area as one of potential disaster for the Western world.

Foster showed me your communication about the Egyptian affair. [3] It is possible that I have not thoroughly understood the backgound in which should be viewed the existing impasse. I was told that some very protracted negotiations between the Egyptians and ourselves, looking toward the supply to them, by us, of a meager quantity of arms, had been held up for a long time pending a satisfactory solution of the Sudan problem. I had understood that by agreement with your Government, we were to proceed with the transfer of a small amount of equipment (finally reduced to about five million dollars worth) upon the satisfactory completion of that agreement. It is my impression that the Egyptians knew of this general intention on our part.

Later, when there began to appear in press reports some intemperate remarks—even threats—by the Egyptian authorities against our British friends, we began to drag our feet on fulfilling our part of the bargain. The Egyptians, of course, have pressed us again and again on the matter, and we get a bit embarrassed because of their right to charge us with failure to carry out an agreement. We can, of course, adopt the attitude that, because of some of their extraordinary and threatening statements, we are compelled to make certain that they do not intend to use these arms against our friends. In fact, it is my impression that we have long since done this. It is, however, quite difficult to refuse even to talk about the matter or to go so far, for example, as to decline to allow the Egyptian officials to see a list of the kind of articles that would be available. I believe that the initial items to be transferred involved only such things as helmets and jeeps.

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[3] Presumably the reference is to the British *aide-mémoire* transmitted in telegram 5929 from London, vol. IX, Part 2, p. 2055.

Now, of course, we can continue to drag our feet for a while. But I do most deeply deplore having gotten into a position where we can be made to feel like we are breaking faith with another government. It is possible that some years ago we may have been too hasty in promising to include Egypt among those countries to whom we would give some help in preparing necessary defense forces, but that is water long over the dam.

With respect to this particular item, we will at least do nothing further until after Foster has had his talk with Naguib. [4] While it is possible that some hopeful break will develop out of that meeting, I must say that I am extremely doubtful.

As of this moment I still think that we have no recourse except to continue the steady buildup of Western morale and of Western economic and military strength. This is the great "must" that confronts us all, but whenever you have an idea—even a piece of one—that might suggest a possibility of us diminishing the burdens that we are compelled to lay upon our collective peoples, please let me know about it. I should certainly like to ponder it.

I hope my comments do not offend—I assure you again I welcome yours.

Won't you please convey to Anthony my very best wishes and the earnest hope that he will soon be returned to full health?

With warm regard to your good self,

As ever,

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[4] For a record of Secretary Dulles' conversation with General Naguib at Cairo on May 11, see vol. IX, Part 1, p. 8.

No. 408

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum Prepared at the White House [1]

WASHINGTON, May 11, 1953.

Telephone calls—

Beedle Smith called the President to report that just before leaving the country, Mr. Dulles had received a cable from the Prime Minister saying that the P.M. was going to report certain conversations that had been held between the two countries in his speech before the House of Commons today.[2] Beedle Smith replied asking him not to do this.

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[1] Presumably drafted by Ann Whitman, the President's personal secretary.

[2] Secretary Dulles left Washington for the Middle East at 7 p. m. on May 9; the message from Churchill has not been further identified.

There was discussion of eventuality that the Pres. might have to tell the Prime Minister that if discussions between the two countries were not held completely confidential, they would have to cease.

No. 409

Editiorial Note

On May 11 Prime Minister Churchill delivered before the House of Commons a major foreign policy speech, which the Embassy in London characterized in advance as comparable in significance to President Eisenhower's address on April 16. (Telegram 6003 from London, May 8; 741.00/5-853) The Prime Minister discussed the situation in Korea, Southeast Asia, the Middle East, and Europe and, recalling his relations with the Soviet Union during the war, proposed a meeting at the highest level of the leading world powers. At no point in his statement did the Prime Minister report on specific conversations which had been held with the United States. For the full text of his speech, see *H.C. Deb. 5s,* volume 515, columns 883-898; for the Embassy in London's comments on the address, see telegram 6041, *infra*.

On May 20 President Eisenhower transmitted to Under Secretary Webb a memorandum suggesting that he should explore the possibility of his meeting with Churchill and Mayer in the near future in order to make some gesture which would show the essential friendship between their three countries regardless of appearance in the press. (711.11 EI/5-2053) Exchanges of communications at the end of May finally led to a proposed meeting of the heads of state at Bermuda in June. For further documentation on the Bermuda Conference, subsequently rescheduled for December, see volume V, Part 2, pages 1710 ff.

No. 410

741.00/5-1253: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State [1]

SECRET LONDON, May 12, 1953—5 p.m.

6041. Embassy offers following comments Churchill speech of yesterday (Embtel 6028, May 11 [2]).

1. Foreign affairs debate had been postponed several times and HMG had remained relatively silent on President's speech, Soviet "peace" moves, and Panmunjom negotiations. It was widely believed Churchill would make important statement and House of Commons was, therefore, in expectant and highly keyed up mood. Churchill did not disappoint his listeners. In delivery, tone, and content, speech was, perhaps, Churchill's greatest performance since war, and he touched whole range of emotions of British people.

2. On almost every subject he discussed, he received full support of all sides of Commons. For example, without mentioning delicate issue General Harrison's conduct truce negotiations, he was nonetheless able to encompass views both left and right by saying, with respect to Korean negotiations, that it was "our duty without separating ourselves from our great ally to express our opinion plainly to them as occasion offers".

3. Commons unanimous approval his remarks especially so regarding proposal for high-level meeting with Soviets. As Department aware, Churchill has been advancing this idea for several years. We feel his motives are mixed: He genuinely feels such negotiations might at least open way to improve atmosphere between East and West; he has been sensitive to war-mongering charge advanced by Labor speakers during last election and is anxious to disprove it; time is running out on his career and he may feel that if this dramatic move succeeds, it might be his highest achievement. Churchill has now explicitly committed himself to initiation of high-level talks and we feel that pressure on him now from British public to carry out this proposal will be strong. (Full text Churchill speech airpouched today. With reference call for negotiations with Soviets note Churchill's suggestion that new Locarno, satisfying Soviet fears, might be desirable.)

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[1] Repeated to Paris and Cairo.

[2] Not printed; it reported the substance of Churchill's speech. (741.00/5-1153)

4. For first time in major address on foreign affairs, Churchill did not mention Anglo-American alliance or necessity solidarity with United States. Some of his references to United States policy were at least implicitly critical. It is, unfortunately, true that Churchill mirrored present feeling Commons and nation on this subject.

5. Embassy believes speech in considerable measure represents Churchill the politician taking account of widespread disappointment and apprehension which now exists among British with respect to policies new United States administration. He stole opposition fire by saying many things Labor would have said if he had not. At some points applause was stronger from opposition than from his own ranks. While his speech was characteristic of the Churchillian temperament, it also reflected serious British misgivings about the present state of Anglo-American relations.

6. For press reaction Churchill's speech, see special supplement to Thames cable number 1741.[3]

ALDRICH

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[3] Not printed. (741.00/5-1253)

No. 411

611.41/5-2553: Telegram

The Ambassador in the Soviet Union (Bohlen) to the Department of State[1]

TOP SECRET PRIORITY Moscow, May 25, 1953.

1630. Most striking feature of *Pravda* editorial[2] is open attempt to play up to British Government and in particular Churchill personally in order to exploit current Anglo-American differences which are unquestionably greatly exaggerated by Soviet leaders (Embtel 1626[3]). The concept of Anglo-American rivalry has been standard in Bolshevik thinking since establishment of Soviet State and it is interesting to note that *Pravda* editorial which should be regarded more as diplomatic maneuver than a propaganda effort is in complete harmony with Stalin's analysis of non-Soviet world in his Bolshevik article.[4] It confirms what we have previously reported, that new direction is adopting different methods rather than departing in important respects from previous Soviet policy under Stalin.

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[1] Repeated to Paris and London.

[2] Under reference here is a full page editorial in *Pravda*, May 24, 1953, on the international situation. The editorial stated, among other things, that the decision to hold a three-power meeting at Bermuda, which had been announced on May 21, was a retreat from Churchill's proposals on May 11.

[3] Not printed; it reported the substance of the *Pravda* editorial. (961.61/5-2453)

[4] Under reference here is Stalin's article, "The Economic Problems of Socialism in the USSR", published in *Bol'shevik*, Sept. 15, 1952.

The Soviet leaders will undoubtedly await with the greatest attention any reaction of the three Western powers and particularly that of British Government. If they are able to detect any important divergencies in such reaction, they will undoubtedly press further along this line in an attempt to disrupt Western solidarity and in particular to isolate the United States. In view of importance of effect on Soviet thinking it would be desirable if possible to nip this maneuver in the bud by some strong indication of three-power solidarity in relation to Bermuda meeting. From point of view of effect on Soviet leaders, we see no harm in openly acknowledging that solidarity and community of interests of the three leading Western powers is a fact of international life which Soviet Government will have to accept if there is to be any progress made in improvement world situation.

I have discussed editorial with British Ambassador who found it "discouraging," possibly because British, in particular Churchill, had expected some indication of changed Soviet policy in reponse to Churchill's speech. [5] He was however, in complete agreement and is so reporting to London that this is a definite attempt to divide US from UK and was convinced of importance of concerted reaction thereto if any official comment is to be made.

In comparison with editorial on President's speech, this text, although still mild in tone, is crisper and does not bear the evidence of group drafting of policy. It therefore may reflect increasing control of Molotov over conduct Soviet affairs. [6]

BOHLEN

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[5] Regarding the May 11 speech, see Document 409.

[6] On May 29 Aldrich reported that the Foreign Office agreed that the most striking feature of the *Pravda* editorial was its obvious attempt to play up to Churchill, exploit the differences among the Western allies, and entice the British away from the United States. The Foreign Office also stated that the Soviet Union had made no other reply to Churchill's speech. (Telegram 6318 from London; 611.41/5-2953)

No. 412

741.13/6-853: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State [1]

TOP SECRET LONDON, June 8, 1953—3 p. m.

6444. Eyes only for Secretary. [2] This morning Prime Minister Menzies of Australia, whom I have known for several years, came in to tell me his impressions of Commonwealth conference which have been held during past few days. [3] He said Churchill had made his statement that he hopes four-power meeting would result from Bermuda meeting without consultation with members of Commonwealth. [4] Menzies and many other Prime Ministers had been much concerned for fear that there might come out of Bermuda a statement of specific points upon which the three powers were in agreement which would give impression of an attempt to gang up on Russians and present them with a program on a take it or leave it basis. He said that he himself would have preferred to postpone meeting with Russians until we were much more sure of their attitude but that inasmuch as Churchill had already committed himself (*Comment:* and incidentally all of us) he reached conclusion it would be hopeless to attempt to persuade him to change his position. He said that as a result of Commonwealth meetings Churchill had been persuaded as far as four-power meeting is concerned to limit Bermuda discussion to survey with the President of points which might either be brought up by Russians or by the Western powers for discussion at such meeting with object of reaching an agreement with President with regard to the position which would be taken by the US and Great Britain concerning these points.

Menzies said he thought the worst possible thing that could happen would be to have a meeting with the Russians at which matters might come up on which US and Great Britain were not in complete agreement. I said that I would be interested to hear what sort of a communiqué he thought should be issued as result of the Bermuda meeting because I believed this might give a better picture of his ideas of the result of the Commonwealth discussions which have just been held and he then gave me the following possible communiqué which I took down verbatim:

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[1] Repeated to Paris, eyes only for the Ambassador.

[2] The source text indicates that Secretary Dulles saw this telegram on June 9.

[3] The Commonwealth Prime Ministers, who were in London for the coronation of Queen Elizabeth II on June 2, completed their meetings on June 9.

[4] For documentation on the Bermuda Conference, see vol. v, Part 2, pp. 1710 ff.

"The President and Prime Minister have met and have had friendly discussion with regard to the many problems with which the world is faced at the present time in the field of foreign affairs. The value which they have obtained from a full and frank exchange of ideas on various questions which affect the world's peace has been so great that they have decided to seek further consultation with the USSR with the idea of eliminating such points of difference as may exist and of seeking some positive foundation for world peace".

Menzies said that he hoped that there would not be any specific statement made of points which had been covered by the Bermuda conference. He added that a communiqué in form quoted above would create a new point of departure for the discussions with Russians and would avoid the embarrassment which Churchill was under because he had not consulted the Commonwealth Prime Ministers before his suggestion of the four-power conference.

I pointed out to Menzies that he had not up to that point mentioned the French and he said that he rather wished that the conference could be held without the French but that he realized, of course, that they were to be present at the Bermuda conference. However, the essence of the meeting was agreement by the US and Great Britain. He emphasized the fact that after the recent Commonwealth discussions Churchill had clearly in mind the absolute necessity of reaching agreements with the US on all points so that there would be no danger of Great Britain following a line not in agreement with the US in any talks with Russia. To do so would present great risk of bringing about the resurgence of isolationism in the US. In this connection see Embtel 6403, June 5. [5]

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[5] Not printed; it reported that at the first Prime Ministers meeting on June 5 the main points were:

"1. Prime Ministers' unanimous agreement that possibilities of Four-power meeting with Soviets should be explored and giving of their support to Churchill on this point or forthcoming Bermuda conference

"2. Insistence of all Prime Ministers present, led by Churchill, that at every step along way to such possible meeting there must be complete cooperation and closest possible harmony with US

"3. Fact that Nehru was at one with other Prime Ministers in this attitude vis-à-vis US, 'behaved very well', and has not advanced arguments independent position." (741.13/6-553)

No. 413

741.13/6-1253: Telegram

The Chargé in the United Kingdom (Holmes) to the Department of State [1]

SECRET LONDON, June 12, 1953—6 p. m.

6553. To supplement Embtels 6403, 6428, 6452 and despatch 5871 containing communiqué Commonwealth Prime Ministers conference Embassy has been told following by ranking official Foreign Office: [2]

1. Major purpose meeting was bring old and new dominions together which has double advantage of educating Asians in facts of international life and securing support of old dominions who will not "let mother country down" in presence new members.

Conference considered successful in achieving this end.

2. On question of four-power discussion with Soviets all Prime Ministers agreed that there should be an attempt at such a meeting but none was optimistic that there has been any real change in Russian policy. Most to be hoped for is change of mood.

3. On Europe Churchill outlined efforts of Western defense and emphasized that UK sees no reason to change its policies, including its policy on Germany. There was no dissent on this point. Reference to NATO in communiqué was designed to meet Nehru's unwillingness to be associated directly with Western defense. UK is pleased to have secured Nehru's concurrence in communiqué phrase "they recognize that Democracies must maintain their strength and exercise unceasing vigilance to preserve their rights and liberties."

4. On Far East situation as outlined by Selwyn Lloyd was well received and much time was taken up with discussion progress in Korea. Emphasis was put on close cooperation with US in dealing with problem of China (including Nehru). There were only vague references to political conferences following truce.

5. UK is pleased with discussion on Middle East. Dominions in Far East tended to emphasize canal rather than base. Nehru stated UK position was consistent with Egyptian sovereignty, that matter must be settled or wave of nationalism would spread from Egypt over Africa and that he would attempt to reason with Naguib on way home.

6. Information on economic talks will be sent separately. [3] In addition there were private defense talks with old dominions, bringing them up to date on situation.

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[1] Repeated to Ottawa, New Delhi, Pretoria, Karachi, Colombo, Canberra, Wellington, and Paris.

[2] None printed; regarding telegram 6403, see footnote 5, *supra;* telegrams 6428 and 6452 reported on the discussions of the Far East and Southeast Asia and Egypt (741.13/6-553, 6-853, and 741.022/6-1053) For the text of the communiqué, see *Documents* (R.I.I.A.) for 1953, p. 71.

[3] Not further identified.

New Zealand official present at meetings gives slightly different impression of meetings, laying emphasis on Nehru's recalcitrance. This official seemed particularly depressed by fact that possibilities of conflict between US and Commonwealth attitude on Chinese Communist representation had not been fully explored. He also thought that British had been over lenient in permitting Nehru to get away with some outrageous statements but that Churchill had handled him as well as anyone could. This only source referring to Nehru's making "outrageous statements" and possibly New Zealand's nose was out of joint at attention he received.

HOLMES

No. 414

611.41/6-1553

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) to the Secretary of State [1]

TOP SECRET WASHINGTON, June 15, 1953.

Subject: US-British Relations

In thinking about Bermuda I have naturally been concerned over the fissures which exist between British policy and our policy in both the Far East and the Near East. The strength of Churchill's reply to the President's recent message on Egypt underlines the depth of the fissure in that area. Ambassador Aldrich confirmed to me today the almost unanimous Parliamentary and public support which the Prime Minister has for this position.

The importance of Great Britain (not least as leader of the Commonwealth) to the United States is axiomatic. The British are our strongest and most reliable ally. I do not think that a durable relationship can be based on complete surrender to us on every point which Great Britain considers important to its security and world postion.

I suggest that there is a way out. This is to insist that the British give us complete support for our policies in the Far East. For our part we would recognize that not only do the British have widespread interests and responsibilities in the Middle East but that they in fact control the only western military forces in the area. We should, therefore, support them in the execution of jointly agreed policies in the Middle East and thereby avoid finding ourselves trapped in the unwelcome role of mediator between native regimes and Great Britain. In a sense it seems to me that we are following a hard policy in the Far East, harder than the British relish. On the other hand, in the Middle East the British policy seems to me harder and based to a large extent on force. I think in reaching jointly agreed policies in the Middle East with the British we should give greater weight than we have to their theses.

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[1] The source text bears the handwritten notation by O'Connor "Sec saw and will discuss with you further—17 June." Copies of this memorandum were also sent to Smith, Matthews, MacArthur, Bowie, Robertson, and Byroade.

I realize this would involve losing our independent influence (if in fact we possess or can develop it) with Egypt and much of the Arab world. I think notwithstanding this we could still count on Turkey and Pakistan. It would further complicate our problem with India but I have the impression that Nehru's education has been notably advanced by the combination of your visit and the Prime Ministers' meeting in London during the Coronation.

I believe we must get whole-hearted British support for our policy with respect to Communist China. I believe we must cement our alliance with British which is in a disturbing state of disrepair. The foregoing suggestion seems to me the direction we should take to accomplish both objectives.

No. 415

611.41/6-1753

Memorandum by the Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Jernegan) to the Secretary of State [1]

TOP SECRET WASHINGTON, June 17, 1953.

Subject: Mr. Merchant's Memorandum of June 15 on US-British Relations [2]

I share Mr. Merchant's concern over the fissures existing between British and American policy in the Far East and Near East. I likewise agree that the maintenance of the British alliance is vital.

Mr. Merchant suggests as a solution that we support the British "in the execution of jointly agreed policies in the Middle East" in return for complete British support for our policies in the Far East. I feel sure that Mr. Byroade would agree with me that this would not constitute an acceptable solution from our point of view even if the British accepted it.

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[1] A notation on the source text by O'Connor indicates that it was seen by Secretary Dulles on June 19. Copies of this memorandum were also sent to Smith, Matthews, MacArthur, Bowie, Merchant, and Robertson.

[2] *Supra.*

For a long time we have been trying to follow policies in the Near East which were "jointly agreed" with the British. The difficulty has been either that, in some instances, we were unable to agree or, more often, that the agreed upon policy proved unsuited to the political climate of the Middle East and therefore accomplished little except to make both the British and ourselves increasingly unpopular. The mere fact of our agreement with the British was bitterly resented by the Middle East governments concerned. Recent policy thinking in the Government therefore has been along the lines of greater rather than less freedom of action for the United States in this field.

If a bargain of the sort suggested by Mr. Merchant were to mean anything to the British, it would have to mean that the United States committed itself to follow the British lead on all major problems, to an even greater extent than has been the case up to now. I am convinced this would destroy all of our influence in the Arab World and Iran and most of it in South Asia. (We do still possess influence in the area, despite the damage done by our past association with the British.)

To tie ourselves to the tail of the British kite in the Middle East at the present juncture, in my opinion, would be to abandon all hope of a peaceful alignment of that area with the West. Unless there is a marked change in British policy the result would be either that both the British and ourselves would be driven out completely or that we would have to maintain ourselves in the area by force at heavy material cost and even greater cost in terms of moral standing throughout the non-European world.

No. 416

611.41/6–1953

Memorandum by the Under Secretary of State (Smith) to the Secretary of State

TOP SECRET WASHINGTON, June 19, 1953.

I have read the memoranda to you from Messrs. Merchant and Jernegan on US-British Relations in the Near and Far East.[1]

I agree with Mr. Merchant's view that no durable relationship with Britain can be based on complete surrender to us on every point which Great Britain considers important to its security and world position, as well as with his view that in reaching jointly agreed policies with the British in the Middle East we should give greater weight than we have to their thesis.

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[1] Document 414 and *supra*.

On the other hand, I must record my agreement with Mr. Jernegan that the solution proposed by EUR is unattainable, and even if it were attainable is one which we ourselves could not accept. It is just as impossible that we should follow the British lead on all major Near Eastern problems as it is that they would be willing to follow ours on these relating to the Far East. The answer must lie, in the future as it has in the past, in certain compromises by both of us in each of the two areas concerned. [2]

WBS

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[2] The source text bears the handwritten notation "I agree with you J.F.D".

No. 417

Editorial Note

On June 30, former Ambassador Douglas transmitted to President Eisenhower an eight-page report on questions of trade and currency, particularly as they related to the sterling area, which he had been asked to prepare following the United States–United Kingdom talks in March 1953. The report reviewed the background to the March conversations, indicated the factors which affected the British economy and the problems facing the sterling area, and suggested various remedial actions with regard to trade, investment, convertibility, and price fluctuations which the United States might take to assist the British. The report was released to the public on August 24. A copy of the report, dated June 30, is in file 841.131/7–1053; for the text of the report, dated July 14, as released to the press on August 24, see Department of State *Bulletin*, August 31, 1953, pages 275–279. This text is the same in substance as that dated June 30.

No. 418

Editorial Note

From July 10 to July 14, the Foreign Ministers of the United States, the United Kingdom, and France met in Washington to discuss matters of mutual concern. During the course of these meetings United States and United Kingdom officials held several conversations on problems affecting their interests alone. At the end of the meetings the three Foreign Ministers approved the text of a note to the Soviet Union calling for a four-power meeting on Germany and Austria. For documentation on the meetings of the Foreign Ministers, see volume V, Part 2, pages 1582 ff.

No. 419

Eisenhower Library, Eisenhower papers, Whitman file

Prime Minister Churchill to President Eisenhower

[London, July 17, 1953.]

Please consider at your leisure whether it might not be better for the Four-Power Meeting to begin, as Salisbury urged, [1] with a preliminary survey by the heads of Governments of all our troubles in an informal spirit. I am sure that gives a much better chance than if we only come in after a vast new network of detail has been erected. Moreover, Bidault made it pretty clear he wanted this meeting to break down in order to make a better case for E.D.C. before the French Chamber, whereas it would have been a great advantage to go plus E.D.C. with friendly hands in strong array. Above all, I thought that you and I might have formed our own impression of Malenkov, who has never seen anybody outside Russia. After this preliminary meeting we might have been able to set our State Secretaries to work along less ambitious, if more hopeful, easier lines than we now propose. I am very sorry I was not able to make this appeal to you personally as I had hoped.

2. I have made a great deal of progress and can now walk about. The doctors think that I may be well enough to appear in public by September. Meanwhile, I am still conducting business. It was a great disappointment to me not to have my chance of seeing you. [2]

Kindest regards

Winston

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[1] Regarding the Foreign Ministers meeting, held at Washington, July 10-14, and attended by Salisbury as Acting British Foreign Secretary, see the editorial note, *supra*.

[2] Churchill suffered a stroke at the end of June which partially paralyzed him and forced the postponement of the Bermuda meeting of the Heads of Government.

No. 420

711.11 EI/7-2053

President Eisenhower to Prime Minister Churchill [1]

SECRET WASHINGTON, July 20, 1953.

DEAR WINSTON: Many thanks for your letter of July 17. [2] First of all, let me say how greatly I rejoiced at the report of your improved health. Your own country, and indeed the world, can hardly spare you even in semi-retirement. Therefore, I am delighted that you expect to emerge in full vigor by September.

With regard to the Foreign Ministers meeting, [3] I had, through Foster, kept in close touch with it and I gained the impression that the programming of a 4-Power meeting was along lines agreeable to you. Indeed, this was the program which I would have presented to you at Bermuda had we been able to meet there. I have the feeling that it could be somewhat dangerous for us to meet with the Russians and talk generalities, at least unless and until it became apparent, through action in relation to Germany and Austria, that they seriously want to get on to a dependable basis with us.

I like to meet on a very informal basis with those whom I can trust as friends. That is why I was so glad at the prospect of a Bermuda meeting. But it is a different matter to meet informally with those who may use a meeting only to embarrass and to entrap. I would prefer to have our Foreign Ministers be the ones to make the first exploration on a limited and specific basis. Furthermore, as President I am very restricted by our Constitution when it comes to leaving the country because I cannot in my absence appoint any Acting President. I have to carry with me all of the paraphernalia of government.

I was very glad to get acquainted with Salisbury when he was here and I have the impression our Foreign Ministers got along well together. Their final communiqué surely showed that close unity and friendship prevail between our countries.

Again, I say, I eagerly look forward to your public reappearance.

With warm personal regard,

DWIGHT D. EISENHOWER

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[1] This message was transmitted to London in telegram 362, July 20, with the instruction that it be given to Churchill.

[2] *Supra.*

[3] Regarding the Foreign Ministers meeting, held at Washington, July 10–14, see Document 418.

No. 421

611.41/8-1053

The Ambassador in the United Kingdom (Aldrich) to the Department of State

SECRET AIR PRIORITY LONDON, August 12, 1953.
No. 699

Ref: Depcirtel 53 July 23, 1953[1]
Subject: British Attitudes toward U.S. Policy

1. I have been concerned over the questions raised in Depcirtel 53 of July 23 and welcome this opportunity to report on British attitudes toward U.S. policy and leadership. This despatch has been prepared in consultation with senior officers of the Embassy. Its observations and conclusions are fully borne out by my own experience since taking office as Ambassador.

2. While the substance of this despatch deals with the special problems of British confidence in U.S. leadership and American prestige in the past six months, this current short term problem must be viewed in the perspective of deeper British attitudes reflecting the altered power relationship between Britain and the U.S. in the post-war period. I earnestly recommend a re-reading of the Embassy's telegram No. 4022 of January 20, 1951 [2] which was written during another period of low American prestige in Britain and which, *mutatis mutandis*, is largely applicable today. Paragraph 5 of that telegram which deals in large part with British views of American diplomatic tactics is of particular validity at present.

3. In addition to this continuing situation resulting from the altered power relationships, we regret that the concerns mentioned in Depcirtel 53 are most emphatically justified. There has been in recent months an appreciable decline in British confidence in American leadership and in American prestige generally in the U.K. If this trend is not reversed, it may seriously impair the attainment of our foreign policy objectives. The points made below are generally applicable to both public and official opinion.

4. We find no noticeable mistrust in Britain of the motives underlying our policy towards the Soviet Union. There has, however, been a marked lessening of confidence in (a) our ability to provide

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[1] Not printed; in it the Secretary of State asked Ambassadors in 11 NATO countries and Austria and Germany for their frank confidential estimate and views on how the United States was regarded by the public and the governments in the countries to which they were accredited. (611.00/7-2353)

[2] *Foreign Relations*, 1951, vol. IV, Part 1, p. 894.

sound and constructive leadership for the West, (b) the constancy of our purpose to cooperate with and to provide essential military and economic support for our Allies, (c) our readiness to give proper weight to their legitimate interests and concerns in the formulation of our own policy, and (d) our ability and willingness to establish sound, long-term economic relationships with the rest of the Free World. There has been no change in the basic awareness that successful leadership of the Free World can come only from the U.S.; there has certainly been a marked falling off in the willingness to follow whole-heartedly that lead.

5. The main reason for this disturbing development is a series of factors creating doubt as to our capacity for effective, consistent and constructive leadership. Pre-eminent among those factors are the following:

A. *McCarthyism:* By "McCarthyism" the British mean not only Senator McCarthy's own activities but other developments which they believe reflect an hysterical fear of Communism, excessive intolerance of non-conformity and a willingness to employ or to tolerate methods of the Star Chamber and police state. During the past several months "McCarthyism" has occupied a dominant place in both news reporting from and editorial comment on the United States. In British minds, "McCarthyism" tarnishes America's claim to leadership of the Free World and offers to the Soviets powerful propaganda weapons in their efforts to split the Western alliance. The campaign against the execution of the Rosenbergs won such widespread support in Britain only because of a climate of opinion reaction against "McCarthyism". "McCarthyism's" continued existence has inculcated doubts as to the strength of America's adherence to traditions of freedom of thought and speech and of respect for the individual; it has therefore raised doubts as to the integrity of our institutions, the strength of our democracy and our reliability as Free World leaders. Among the major incidents creating this attitude are the following:

(1) the Cohn and Schine trip to Europe;

(2) the use of "witch-hunting" methods, ineffectively combatted, in Congressional investigations of Government employees, college professors, school teachers, and UN employees;

(3) the "book-burning" controversy which has largely discredited our information program abroad;

(4) cases arising from the McCarran Act, notably the Charlie Chaplin incident (Chaplin is a symbol here and no account is taken of the actual man behind the symbol);

(5) McCarthy's dealings with the Greek ship owners and his wholesale reaffirmation of charges about British trade with China which the British believe they have factually refuted but which have not been effectively rebutted by the Administration.

B. *The Administration's Relations with Congress:* The British have been concerned and disappointed at what they regard as weakness in the Administration's leadership of Congress. This concern is centered primarily in the field of foreign commercial policy but it applies also to the advancement of the termination date of the Mutual Security Act, heavy cuts in MSA appropriations, major compromises on immigration legislation and alleged over-readiness to compromise with an extreme minority within the majority party. The post-session assessments of the legislative record have relieved to some extent the British concern on this point but the net impression of limited Congressional results remains.

C. *Rigidity of U.S. Foreign Policy:* There has been an increasing apprehension that American foreign policy is over-rigid, formulated without adequate consideration of its impact on our allies and overly responsive to mass emotions in domestic political opinion. (The British believe that true leadership consists in guiding public opinion, ignoring their own failures in this respect.) They fear that what they consider our inflexibility may cause the West to fumble away chances for a settlement with the East and even to misinterpret developments within the Soviet bloc. The British firmly believe that we must avoid giving the impression that we are irrevocably committed in advance on points which well might be used in bargaining with the East. Three major fields to which this concern applies are the following.

> (1) *High level talks with the Russians:* At present, as a result of Churchill's unfortunate speech of May 11 [3] which "hit the jackpot" of public approval, there is widespread resentment at our failure to respond enthusiastically to the lead which Churchill wished to give. Because of the nature of the Soviet reply to our note of July 15, [4] it is possible that the wisdom of our approach will sink in, but it is too early to tell. Apart from these immediate exchanges there is an endemic feeling in Britain that excessive rigidity in American attitudes is a major stumbling block in the way of progress toward an overall East-West settlement.
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> (2) *Attitude toward Communist China:* There is widespread criticism of our policy towards the CPR, with representation in the UN, the trade embargo and recognition all involved in varying degrees. It is a widely held view here that the U.S. refuses to recognize the "facts of life" concerning the *de facto* control of the Chinese mainland. There is a disturbingly general tendency to blame our policy on the machinations of the "China lobby" and to regard with mistrust our allegiance to Chiang Kai-shek whom the British consider a mischievous anachronism as well as an active obstacle to the achievement of a realistic *modus vivendi* in the Far East.
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> (3) *East-West Trade:* Although there is broad appreciation of the necessity of some prohibitions on East-West trade in actual strategic goods, a large section of British opinion believes that our policy in this field goes much too far and that our methods

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[3] Regarding this speech, see Document 409.

[4] For the text of the note approved by the Foreign Ministers at their meeting in Washington, July 14, and transmitted to the Soviet Union on July 15, see vol. v, Part 2, p. 1701.

involve dictation to our Allies on an issue of negligible economic importance to us but of serious importance to Western Europe.

D. *Foreign Economic Policy:* Both official circles and the general public have been deeply concerned at alleged indications of revived protectionism in the U.S. and disappointed at delays in the evolution of a liberal foreign economic policy. It is not an exaggeration to say that, if the Administration could secure major measures liberalizing American foreign economic policy, much of the ground would be cut from under those consistently critical of the U.S. The following developments have all contributed in varying degree to doubts about our desire to give more than lip service to the slogan of "Trade not aid:"

(1) the original Simpson Bill extending the Trade Agreement Act;

(2) the "Buy American" policy, especially the Chief Joseph Dam episode; [5]

(3) delays in response to the Anglo-American economic talks in Washington last March; [6]

(4) the allegedly highly protectionist sentiments of the two recent appointees to the Tariff Commission;

(5) the emasculation of the Customs Simplification Bill;

(6) the nature and extent of the fight which it is understood that the Administration had to put up in order to avert retrogression on the extension of the Reciprocal Trade Agreements Act.

E. *Miscellaneous:* Other factors worthy of brief mention include:

(1) A feeling that the U.S. initiatives in the field of psychological warfare are usually not fully thought through. In this connection, the concept of "liberation" has terrified the British since it was first voiced in the 1952 campaign.

(2) An undercurrent of Parliamentary and Governmental opinion fearing an American reversion to isolationism. It is felt that recent months have been marked by a decreased American interest in NATO. Events contributing to this concern include the sharp tapering of economic and military assistance to Europe and a fear that American preoccupation with Asiatic problems may be not merely in addition to, but rather at the expense of continued interest in Europe.

(3) There is a broad feeling that the U.S. has been almost exclusively preoccupied with a negative anti-Communism and that this preoccupation has not been equalled by our constructive interest in the world beyond the boundaries of the U.S.

(4) Most of the British people have only a slight understanding of American political life and of the difficulties of a new

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[5] The low bid on the turbines for the Chief Joseph Dam had been submitted by a British firm, but the contract was subsequently let to an American firm.

[6] For documentation on the economic talks in Washington, Mar. 4-7, 1953, see Documents 375 ff

Administration representing a party 20 years out of office. They were uneasy at the extravagances of some of the campaign utterances of foreign policy, and this uneasiness has carried over into a fear of a partisan approach to the handling of international problems.

6. In the light of the above analysis, the following considerations involving British reactions to American policy must be borne in mind in future U.S. actions:

A. Advance consultation always pays large dividends in terms of British cooperation, both in favorably influencing official attitudes and in enabling the Government to handle British political and public opinion problems. Conversely, failure to consult can often be the deciding factor in inspiring only grudging British acceptance or outright opposition.

B. Without sacrificing the substance of our policies and positions, we can usually secure equally large returns in British cooperation by maintaining an appearance of flexibility.

C. American domestic political developments are followed closely and have great influence on British attitudes toward the U.S. American political speeches and actions inevitably affect the foreign as well as the domestic audience.

D. The great reservoir of British good will for the U.S. can be more effectively exploited. For instance, virtually every pronouncement of policy by the President has been well received and has boosted U.S. prestige. There is great trust and confidence in him and his speeches to the ASNE and at Dartmouth, and his message to the conference of Christians and Jews have done much to counteract criticisms of the U.S.

E. British reactions and proposals sometimes appear to be unrealistically weak or lacking in full appreciation of the Soviet menance. A good deal of this is due to (1) wishful thinking based on Britain's tight economic situation and vulnerability to attack, and (2) a compensatory reaction in subconscious response to what is regarded as an American extreme of rigidity and provocativeness. Lectures from us on the Russian threat will not, however, dispel this "head in the sand" attitude.

8. [*sic*] Bearing in mind all of the above, Anglo-American relations must be viewed in perspective. There is a great deal of friendliness for and admiration of the U.S. here, and the majority of the British people realize the basic identity of our interests. Each nation is given to drawing attention to the mote in the other's eye, and British irascibility occasionally leads them into public opinion extremes which bear little relation to their actual view of the U.S. When the "chips are down" we can count on the British as allies in the broadest sense of the word. It must not be forgotten, for example, that despite their grave concern over our Far Eastern policy, the British have consistently supported a much larger military contribution in Korea than any of our other allies, and there has

never been any really serious consideration of its withdrawal. Indeed, it is this very consciousness of their being irrevocably tied to us that makes the British especially concerned at seemingly rash actions or attitudes on our part. Despite the dangers of the growth of present British doubts and hesitations, basically the British trust the good will, common sense and ultimate reliability of the American people and are aware that being irrevocably tied to us is fundamentally in the best interests of both countries.

WINTHROP W. ALDRICH

No. 422

741.00/9-1153: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State

SECRET LONDON, September 11, 1953—noon.

1054. For the Secretary. At his invitation I saw Churchill yesterday afternoon. He stated that his reason for asking me to visit him was that he was somewhat afraid he might have caused me personal embarrassment with President by making unjustified assumption during my last interview with him regarding possibility of a visit by President to London.[1] I assured him on this score and said that although his message to President had caused momentary confusion in State Department, that confusion had been easy to straighten out. He talked to me for more than an hour and we discussed many subjects but only in most general terms in spite of effort I made to ascertain his specific thinking on Iran, Egypt, Lugano preparation et cetera. Only clear impressions I was able to gather from what he said were following:

(1) He is still thinking in terms of arbitration to settle oil dispute with Iran;

(2) He refrained from commenting on possibility of agreeing to shorter duration provision in connection with Egyptian negotiations;

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[1] On July 31 Ambassador Aldrich lunched with Prime Minister Churchill at Chequers. The conversation was largely on Churchill's health and Aldrich reported that the Prime Minister had made only a few remarks on substantive issues. (Telegram 490 from London, July 31; 741.13/7-3153) On Aug. 3 Churchill wrote Eisenhower stating that Aldrich had told him that the President might visit the United Kingdom and extending a warm welcome. (Eisenhower Library, Eisenhower papers, Whitman file) After several messages and telephone conversations between Washington and London it turned out that Aldrich had been misunderstood and the matter was dropped. Further documentation on this event is in files 741.13 and 711.11 EI.

(3) I did not take up question of Saar for reason indicated in Embtel 1035; [2]

(4) He is undoubtedly still thinking about possibility of Eastern Locarno because he asked me if I had noticed that Adenauer had taken up his suggestion on this point contained in his speech of May 11. [3] Other than this observation he made no comment on preparation for Lugano. [4] He stated that his health was continually improving and that during Salisbury vacation he had "resumed control of Foreign Office." He said that he is intending to make the speech at the Conservative Party conference on October 9;

(5) He said categorically that he would never vote for the entrance of Communist China into UN over opposition of US, but that on this issue Britain might abstain rather than vote with US.

His mind appeared very clear and he only repeated himself once and that on a very minor subject. When I left he walked all the way from Cabinet room and waved goodbye to me on the doorstep. His walking is very much improved and his general condition appeared better than I had expected. I might say that the interview was most cordial.

In view length of interview in relation to very little substance, I cannot help feeling that Prime Minister's main purposes were (a) to create public impression of renewed intimate Anglo-American collaboration and (b) to demonstrate the degree of his physical recuperation.

ALDRICH

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[2] Not printed; it stated that since the French and Germans showed signs of settling the issue of the Saar, it did not seem desirable to take any initiative on the question. (762.022/9-1053)

[3] Regarding Churchill's speech on May 11, see Document 409.

[4] For documentation on the proposed four-power meeting at Lugano, which was eventually held at Berlin, Jan. 25–Feb. 18, 1954, see vol. VII, Part 1, pp. 601 ff.

No. 423

Editorial Note

On October 7, Prime Minister Churchill wrote to President Eisenhower proposing a bilateral meeting at the Azores in the following week. The President replied 3 days later that his schedule made this impossible, but suggested a meeting of their Foreign Ministers in Washington at that time. In a further exchange of messages it was decided that Secretary Dulles would go to London for a series of meetings with his British and French counterparts. For documentation on the preparations for and sessions at London, October 16–18, see volume VII, Part 1, pages 687 ff. During the course of the meetings in London, Secretary Dulles discussed the ideas of a top-level four-power meeting and a solitary pilgrimage with Prime Minister Churchill.

No. 424

741.5 MSP/10-1653: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State

SECRET LONDON, October 16, 1953—7 p. m.

1666. Cotel. Subject: 1955 MDAP programming. Department circular telegram 151 October 7.[1]

1. As set forth 1953 NATO submission, British propose continue their defense program into 1957 at approximately current total expenditure levels, despite the reduction in US aid. We have been informed that the reservation on this point in the submission will be withdrawn. No change in the navy level of expenditure is foreseen. Provided certain international problems (notably the Egyptian situation) are satisfactorily settled, army expenditures might be slightly cut with probability any savings made there would be applied to RAF. There would, therefore, be no appreciable change in over-all expenditure. In making these plans, it has been assumed that the following elements of US support will be provided:

(a) Some mutual defense financing in 1954-55 (approximately $75 million to cover special aircraft program for RAF in accord with bilateral Cabinet level Paris talks of April 1953).
(b) Some MDAP support in fiscal year 1954-55.
(c) Sufficient further OSP contracts so that payments against such contracts would be maintained thru fiscal 1955 and taper off gradually thereafter.

2. It is judgment of Embassy and FOA mission that, if these assumptions prove correct, no further budget support aid would be needed to enable the UK to finance its present defense program. The UK, however, could not support a markedly enlarged program from either the economic or the political viewpoints, and it could not even support present program if there should be considerable downward adjustment in economic activities in UK, or US, accompanied by sharply adverse balance of payments position. Even assuming continuation current levels of economic activity, program

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[1] Not printed; it asked for an analysis of the economic situation in various NATO countries to help in developing the 1955 Mutual Defense Assistance Program. (700.5 MSP/10-753)

places a serious burden on UK economy. Defense expenditures amount to over 12 percent of GNP. Among NATO countries this is exceeded only in US where the GNP per capita is about 3 times as large. The total tax burden in UK is substantially heavier than in any other NATO country (about 32 percent of GNP compared with less than 30 percent in US). At a time when other NATO countries are reducing expenditure on their defense program, maintenance of heavy program in UK coupled with very heavy tax burden creates obvious political as well as economic problems. Comparisons with US are of special importance politically in view of the many affirmations by US in NATO of importance of "equitable distribution of the burdens of defense".

3. On political side, balance of parties is virtually even and could be altered suddenly by new developments. From beginning, British public has accepted defense burden as disagreeable necessity. At same time, there has been natural and strong desire ease pangs of austerity in daily living. But, although not popular present program was initiated by Labor Government and still has bipartisan support. Despite rather vague opposition from Bevanite wing of Labor Party, no reasons to doubt that this support will continue as long as present international tensions.

4. Therefore, given a favorable general economic climate, it is judgment of Embassy and FOA mission that UK can meet budget problems posed by defense program (this, of course, on basis that assumptions given above prove correct). There remains, however, problem of holding favorable or at least satisfactory balance of payments position, particularly vis-à-vis dollar area. While current position can be described as satisfactory, it is still a precarious one, and there are disturbing features in some of short-term indicators of future developments. Recent low rate of increase in gold and dollar reserve (a deficit before aid in September) and failure of exports to expand are not encouraging. Reserves today are still below November 1951 level, and more than $1 billion below June 1951 peak (from which they fell $2,200 million in 10 months).

5. Maintenance of OSP program is, therefore, of considerable importance as means of providing unusual source of dollars to supplement those earned in normal trade activities. In this connection it should be noted that in its NATO submission UK Government indicated that fulfillment of program therein presented presupposed that no further foreign exchange expense would be incurred in connection maintenance of troops in Germany. While not accepting this condition as absolute, Embassy and FOA mission consider it important to note that commencement of German rearmament program, which presumably cannot too long be postponed, even if EDC not ratified, would mean reduction and eventual elimination sup-

port cost payments. This would place further burdens on both UK budget position and on its foreign exchange resources, giving even greater importance to continuance OSP and opportunity it affords for unusual dollar earnings.

6. It is, therefore, politico-economic estimate of Embassy and FOA mission that, subject realization of assumptions described above, and subject continuation of substantial OSP program, satisfactory level of general economic activity in UK and especially in US, and satisfactory balance of payments position, UK can maintain from its own resources its current defense program, but not substantially increased program. It is further estimate of Embassy and FOA Mission that UK could not from its own resources procure those items already scheduled in existing MDAP and OSP programs or those items planned for inclusion in such programs in fiscal 1954-55 and at same time maintain defense program at current levels.

ALDRICH

No. 425

Editorial Note

From December 4 to December 8, the Heads of Government of the United States, the United Kingdom, and France met at Bermuda to discuss problems of mutual concern. During this period Prime Minister Churchill and President Eisenhower held a series of conversations on questions of bilateral importance to the United States and the United Kingdom and their advisers discussed other similar problems affecting Anglo-American relations. For the record of these talks and the proceedings of the Bermuda Conference, see volume V, Part 2, pages 1710 ff.

No. 426

741.5 MSP/12-753: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State [1]

SECRET LONDON, December 7, 1953—8 p. m.

2476. Cotel. Noforn. Defense pass personal for Kyes and Nash. Subject: MDAP support for RAF Plan K. Country team understands from Arth-Gordon phone conversation December 5[2] that Washington desires up-to-date answers on questions set forth below.

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[1] Repeated to Paris, Bonn, and Wiesbaden.

Question 1: Is UK request for assistance to Plan K an official governmental request, or is it merely an Air Ministry or RAF request?

Answer: Request for Plan K assistance has had full support of Defense Ministry and Treasury since initiation this proposal. Request personally approved by Chancellor of Exchequer, as well as Treasury officials, and officials of Ministries of Defense, Supply, and Air. There is no question as to full governmental coordination from the start.

Question 2: What is relationship between Plan K assistance and UK NATO submission?

Answer: Plan K is the schedule for RAF expansion and modernization on which is based Air Force Section of UK NATO submission, including both forces to be assigned to SACEUR and Home Defense Forces. UK responses to NATO AR questionnaire stated explicitly that through April 1, 1956, total RAF plan would cost 83 million pounds more than would be provided by planned defense expenditures up to that date, and that fulfillment these plans by UK was dependent on provision US military assistance in form OSP of equipment produced in UK to be allocated to RAF (together with certain complementary military assistance out of US production). This amount was scaled to 75 million pounds to reflect requirements by end of calendar 1955. Refined submissions from British to MAAG/UK revealed that of the 75 million pounds, 40 million pounds would be required in calendar 1954 and 35 million pounds in calendar 1955.

Question 3: How does proposed British-proposed support for Plan K relate to "integrated defense of North Atlantic area["] as required by Section 101, MDA Act of 1949, as amended?

Answer: All of the procurement envisaged from this support is to be allocated to RAF units which are either committed to SACEUR or are assigned to National Command Forces operating in defense of the North Atlantic area. The support of Plan K for this purpose is endorsed by SACEUR provided that, in return for the aid accorded, the UK agrees to more definite arrangement whereby the UK striking force (medium bombers) is either committed to SACEUR or would be made available to SACEUR on priority basis. Country Team assumes that US support would be conditioned on arrangement to this end satisfactory to SACEUR.

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[2] No record of the telephone conversation under reference here has been found in Department of State files.

Question 4: What is relation between special aircraft program for which Congress has provided $85 million in FY 1954 (with further $75 million under consideration for FY 1955), on one hand, and proposed support for Plan K on other?

Answer: $85 million is part of total of $200 million for FY 1954 of support for UK defense budget in British FY 1954-55, as worked out in bilateral Cabinet level discussions in Paris last April. In order to give the combined budgetary and balance-of-payments support then worked out and subsequently confirmed to UK (Usfoto 190 November 2[3]) this $85 million must be applied to aircraft already covered by UK budget.

UK budget did not, however, cover entire cost RAF Plan K aircraft program. Support for Plan K now being considered is designed meet balance this cost. It, therefore, additional to and not duplication of $85 million special aircraft program. This point clearly brought out during April talks.[4] See Paris Embtel 5671 April 26[5] and paragraph 3-C, Gordon memorandum to Stassen April 24.[6] See also London Embtel 5850 April 29, paragraph 2; London Embtel 6290 May 27, paragraph 4; London Embtel 437, July 29, paragraph 1; and London Embtel 1347 September 29, paragraph 4.[7]

In recommending specific planes to be financed under $85 million special aircraft program on the one hand, and under proposed Plan K support program on other, Country Team has maintained sharp distinction between the two. The funds provided under special aircraft program are to be used procure Canberra bombers, Swift dayfighters and fighter reconnaissance, and Valiant medium bombers. Plan K support funds are to be used for Hawker Hunter, Havelin, Canberra photo reconnaissance, and Valiant photo reconnaissance aircraft. Therefore, there no overlapping or duplication of aircraft procurement planned in the two separate and distinct support programs, and both types of financial assistance are required if attainment of Plan K is to be fully realized.

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[3] Not printed: it informed the Embassy in London that it could confirm to the British that they would receive $200 million in economic aid for the 1954-1955 defense budget. (741.5 MSP/11-253)

[4] For the record of the meetings between United States and United Kingdom officials at Paris during the Eleventh Session of the North Atlantic Council Apr. 23-25, 1953, see telegrams 5623 and 5667 from Paris, Apr. 23 and 26, in vol. v, Part 1, pp. 371 and 385.

[5] Not printed; it reported that during the bilateral talks in April a basic program of support for the British defense effort had been developed. (741.5 MSP/4-2653)

[6] Not found in Department of State files.

[7] None of the telegrams under reference in this sentence is printed. They all dealt with the economic assistance which would be needed by the United Kingdom to carry out Plan K. (741.5 MSP/4-2953, 5-2753, 7-2053, and 9-2953)

From Ambassador: I wish emphasize again, as I did in Embtel 438 July 29, [8] my strong personal support for affirmative action on this program. I understand funds can be made available and that SACEUR and US Regional Defense representatives endorse this plan, as well as all elements London Country Team.

UK is in final stages preparing defense budget for their FY 1954-55 (beginning April 1), and is firming up corresponding aircraft production plans. For this reason, and also because UK air contribution as contained NATO AR documents depends in important measure on our favorable action, I believe affirmative decision should be made this week so it can be conveyed to British prior to NATO Ministerial meeting.

ALDRICH

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[8] Not printed. (741.5 MSP/7-2953)

No. 427

841.10/1-1854: Telegram

The Ambassador in Australia (Peaselee) to the Department of State

SECRET CANBERRA, January 18, 1954—5 p. m.

150. Eyes only Secretary for his distribution to officials informed of UK "plan" for convertibility (including Secretary Treasury and Director FOA).

1. UK Chancellor Butler, January 9, requested hours consultation with me at conclusion Commonwealth Finance Conference, [1] also indicating intention to report separately to French Ambassador here. My consultation held January 16 at UK HICOM's residence. Holmes attending. Chief point, aside from observation that no immediate implementation conclusions of communiqué [2] contemplated, was that UK has abandoned idea of separate stabilization fund as proposed in "Plan" discussed Washington last March. [3] As substitute, contemplates reliance on IMF as support for "convertibility" which Butler said Southard, US representative on IMF, was known to favor. Butler spoke of UK's "favorable position" in relation to IMF and intimated possible expansion fund

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[1] The Commonwealth Finance Ministers Conference was held at Sydney, Jan. 8-15, 1954.

[2] Not printed; a copy of the communiqué was transmitted as an enclosure to despatch 2455 from London, Jan. 18. (841.10/1-1854)

[3] For documentation on the Eden-Butler talks, held at Washington, Mar. 4-7, 1953, see Documents 375 ff.

though disclaimed contemplating anything necessitating Congressional approval.

2. Other Butler comments:

a. Improved confidence in sterling most significant feature of conference.
b. "Convertibility" would be restricted to earnings not capital.
c. Randall report might affect future decisions.[4]
d. UK would welcome US investments sterling area Commonwealth countries, recognizing London resources inadequate.

3. Avoided discussions of questions which personally occurred to me arising out of lack of reciprocal access to gold between dollar and sterling currency holders and question whether present sterling bloc thinking contemplates additional indirect access to gold by having other Commonwealth sterling countries trade their currencies too for dollars through IMF and through present US Treasury policies regarding accessibility to our gold for monetary purposes by foreign governments and central banks holding dollars.

4. Butler sent particular greetings to Humphrey who he said had agreed to sign face not back of check.

5. Australian Government also exerted itself to keep me as representative of US Government informed. Menzies returning from conference called at residence enroute from airport to leave communiqué and stated he also wanted private conference as yet not consummated. Menzies included me in stag dinner Prime Minister's lodge January 17 to honor Butler. Other guests being Fadden, Holmes, Spender, Mohammad Ali, Pakistan High Commissioner Rahman and three Australian officials.

6. Additional report being airpouched.

PEASLEE

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[4] For documentation on the work of the Commission on Foreign Economic Policy, chaired by Clarence B. Randall, see vol. I, Part 1, pp. 45 ff.

No. 428

741.5 MSP/1-2854: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State[1]

SECRET PRIORITY LONDON, January 28, 1954—5 p. m.

3217. Pass Defense and FOA. Personal from Aldrich for Smith.

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[1] Repeated to Berlin personal for Secretary Dulles who was attending the Berlin Conference, and to Paris and Frankfurt.

1. On July 29 last, I added my vigorous personal endorsement to UK country teams recommendation that financial support be given toward fulfillment RAF plan K in order secure maximum advantage for US security as Military Assistance Program tapers off (see Embtels 437 and 438, repeated Paris 50 and 51, Frankfort unnumbered [2]). In intervening six months, this matter has been exhaustively reviewed by all interested US agencies, military and civilian, in both Europe and Washington.

2. For reasons stated Embtel 2476, December 7, [3] favorable decision would have been desirable before NATO Ministerial Council meeting in mid-December. [4] I recognize reasons making that impossible. Prompt decision now, however, has become essential to UK parliamentary defense budget submission for 1954–55 and to decisions on specific aircraft production contracts. Defense estimates go to House of Commons on February 22, and must be ready for printing before February 8. Defense White Paper outlining future size and structure of UK program, in which plan K support is one critical element, goes to House on February 18, and must also be ready for printing before February 8.

3. As you know, an important share UK contribution to NATO air strength, both in numbers of units and equipment with modern aircraft that can do a real fighting job, depends on provision this support. This relationship has been clear throughout process 1953 NATO annual review.

4. I understand that military soundness RAF plan and crucial importance its fulfillment to air strength for European defense has been endorsed by Gruenther in his capacity both as SACEUR and as US CINCEUR. Since mid-December, British have been asked for and have given specific assurances and procedural proposals for linkage their medium bomber force with SACEUR; this was an essential condition of US support and I understand assurances meet SACEUR's desires. I also understand SACEUR satisfied this plan will not as such impose additional tactical air force requirements on other NATO nations, including US. Validity production schedules underlying full plan K and validity financial aspects have been checked by competent US authorities. I understand funds are available for FY 1954 portion required support, and it has been made unmistakably clear to British that US consideration of support is limited to FY 1954 and recommendations to Congress for FY 1955, with no express or implied commitment beyond FY 1955.

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[2] Neither printed; the former reported various specifics on Plan K while the latter transmitted Aldrich's endorsement of the plan. (741.5 MSP/7-2953)

[3] Documents 426.

[4] For documentation on the Twelfth Session of the North Atlantic Council, Dec. 14–16, 1953, at Paris, see vol. v, Part 1, pp. 454 ff.

5. Finally, apart from technical and military considerations, I would like to stress political desirability favorable US action which reinforces military and strategic factors. This support will make possible essential contribution to structure European defense strength as laid out by NATO Ministers in December on long-haul basis of sustained defensive shield. UK air contribution is vital component from viewpoint continental countries as well as US and UK and is essential part contemplated British underpinning of EDC. RAF not only makes largest European contribution to SACEUR's tactical air forces, but is only European air force of demonstrated high combat quality. Failure US provide support would weaken European defense strength at crucial moment when events in Berlin are demonstrating need for West to keep its shield up. In addition, US has obvious direct interest in additional protection SAC bases. For these reasons, I consider this proposed investment US resources will repay its cost many times over.

6. Unless favorable decision already made, I urge that you personally make sure that in reaching final decision full account is taken of these political factors, which reinforce the military considerations.[5]

ALDRICH

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[5] On Feb. 15 the Foreign Operations Administration and the Department of Defense transmitted separate memoranda to President Eisenhower stating their support for providing the $200 million for Plan K. This proposal was approved on the same day by the President and executed by an exchange of letters between Secretary Wilson and Lord Alexander on Feb. 17 and 23. Copies of the two memoranda and President Eisenhower's approval are in Eisenhower Library, Eisenhower papers, Whitman file; copies of the letters are in file 741.5/2-1954 and 2-2554.

No. 429

Eisenhower Library, Eisenhower papers, Whitman file

President Eisenhower to Prime Minister Churchill[1]

WASHINGTON, February 9, 1954.

DEAR WINSTON: Recent reports that you have been on the firing range personally testing the merits of the new Belgian rifle would indicate that you are again in the very best of health. Needless to say, your friends here greet such indications with great joy.

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[1] According to an entry in the White House telephone log, dated Feb. 9, the reason for President Eisenhower writing this message was a cable from Secretary Dulles, who was in Germany for the Berlin Conference, "that told about Eden's worry that Winston is going to be difficult". The cable under reference was Dulte 55 from Berlin, Feb. 9, which said that the Cabinet was going to deal with Egypt on Feb. 17, but that Eden felt Churchill would be difficult. (Conference files, lot 60 D 627) President Eisenhower then drafted this message and Under Secretary Smith approved it "heartily" and said that "strangely enough, he was thinking of calling and asking DDE to write to Sir Winston." (Eisenhower Library, Eisenhower papers, Whitman file)

My official reports from Berlin are not quite so discouraging as would be expected after reading some of the Molotov outbursts in the daily press. I grow weary of bad manners in international relationships. When abuse grows so flagrant as to include insult, false charges and outright vituperation, I sometimes wonder whether we help our own cause by allowing the world to believe us meekly ready to sit quietly under such attacks for no other apparent reason than a desperate hope for a crumb of concession out of the propaganda feast the enemy enjoys at our expense.

The free nations' case must be better understood by the entire world—including ourselves. More and more I come to the conclusion that the salvation of liberty rests upon the unremitting effort of all of us to establish a solidarity among ourselves that in major objectives and purposes will remain firm against any assault. Such an association of free nations must be expanded as widely as possible, even to include very weak nations when those weak nations are exposed directly or indirectly to the threats and blandishments of the Soviets. We are deeply concerned of course with Indo-China, Iran and Egypt. But the entire Moslem World, India and Southeast Asia, as well as our European friends, are all important to us!

Such an association of nations must have clear political, economic and military objectives of its own; while avoiding all belligerence in its attitude, it must still be so firmly confident of its own security that it will have no reason to worry about the possibility that the stupid and savage individuals in the Kremlin will move against us in any vital way.

At the very best, of course, to produce such an association of nations will require the finest of leadership. To this we, the larger nations, must contribute. We must be generous, understanding, determined, and always faithful to our pledges. Tactics will vary. In some areas and on some subjects, we will have to use cajolery; in others, firmness. In some situations, some particular one of the principal countries of the coalition should take the lead in the conduct of negotiations; in others, another will have to assume the burden.

Of one thing I am certain. If we could get real unity of understanding and basic purpose among a few of the principal nations of the free world—including, of course, West Germany—it would not be long until the common security of all of us was vastly improved and the material fortunes of our countries would be advanced markedly and continuously.

The problem, of course, is to achieve much more than mere paper agreement. Our consortium must rest solidly upon a common understanding of the Russian menace and in the clear conviction that only through unity, stubbornly maintained in the face of every inconsequential point of argument and difference among us, can these great things be achieved.

Of course there is no real reason for writing you such a letter as this. Not only do you understand these things better than I—in many instances I have absorbed my ideas from you. But I've been thinking a bit of the future. I am sure that when history looks back upon us of today it will not long remember any one of this era who was merely a distinguished war leader whether on the battle field or in the council chamber. It will remember and salute those people who succeed, out of the greatness of their understanding and the skill of their leadership, in establishing ties among the independent nations of the world that will throw back the Russian threat and allow civilization, as we have known it, to continue its progress.

Indeed, unless individuals and nations of our time are successful—soon—in this effort, there will be no history of any kind, as we know it. There will be only a concocted story made up by the Communist conquerors of the world.

It is only when one allows his mind to contemplate momentarily such a disaster for the world and attempts to picture an atheistic materialism in complete domination of all human life, that he fully appreciates how necessary it is to seek renewed faith and strength from his God, and sharpen up his sword for the struggle that cannot possibly be escaped.

Destiny has given priceless opportunity to some of this epoch. You are one of them. Perhaps I am also one of the company on whom this great responsibility has fallen.

With warm personal regard, [2]

As ever

Ike E

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[2] On Feb. 12 and Mar. 1, Prime Minister Churchill wrote to President Eisenhower stating he was thinking over all that the President had written. (Presidential Correspondence, lot 66 D 204, "Churchill Correspondence with Eisenhower") The President replied on Mar. 1 saying:

"Thank you for your note. Please do not trouble yourself about any need for replying to my letter of February 9th. I meant it as only an item in a friendly exchange of ideas that has extended now over a period of a dozen years. I think that possibly I was merely testing my thoughts against yours to determine whether we are basically in agreement as I think we are. With warm regard, as ever, Ike". (741.13/3-154)

No. 430

Presidential Correspondence, lot 66 D 204, "Churchill Correspondence with Eisenhower"

Prime Minister Churchill to President Eisenhower

PERSONAL AND
CONFIDENTIAL

LONDON, March 1954.[1]

MY DEAR FRIEND: Thank you for your letter.[2] I am honoured by the kind personal things you say.

There is no difference between us upon the major issues which overhang the world, namely, resistance to Communism, the unity of the free nations, the concentration of the English-speaking world, United Europe and NATO. All these will and must increase if we are to come through the anxious years and perhaps decades which lie ahead of hopeful but puzzled mankind.

On the day that the Soviets discovered and developed the Atomic Bomb the consequences of war became far more terrible. But that brief tremendous phase now lies in the past.

An incomparably graver situation is presented by the public statements of Mr. Sterling Cole at Chicago on February 17.[3] I have discussed these with my expert advisers. They tell me that the 175 ft. displacement of the ocean bed at Eniwetok Atoll may well have involved a pulverisation of the earth's surface three or four times as deep. This in practice would of course make all protection, except for small Staff groups, impossible. You can imagine what my thoughts are about London. I am told that several million people would certainly be obliterated by four or five of the latest H Bombs. In a few more years these could be delivered by rocket without even hazarding the life of a pilot. New York and your other great cities have immeasurable perils too, though distance is a valuable advantage at least as long as pilots are used.

Another ugly idea has been put in my head, namely, the dropping of an H Bomb in the sea to windward of the Island or any other seaborne country, in suitable weather, by rocket or airplane, or perhaps released by submarine. The explosion would generate an enormous radio-active cloud, many square miles in extent, which would drift over the land attacked and extinguish human life over very large areas. Our smallness and density of population emphasizes this danger to us.

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[1] A notation on the source text indicates that a copy of this message was delivered to the Acting Secretary of State on Mar. 12; there is no further indication of the exact date of the message.

[2] *Supra*.

[3] For extracts from the speech at Chicago on Feb. 17 by Congressman W. Sterling Cole (R-N.Y.), Chairman of the Joint Congressional Committee on Atomic Energy, see the *New York Times*, Feb. 18, 1954, pp. 1 and 8.

Mr. Cole further stated that Soviet Russia, though perhaps a year behind the United States, possessed the know-how and was increasing its production and power of delivery (or words to that effect). Moreover after a certain quantity have been produced on either side the factor of "over-taking", "superiority", etc., loses much of its meaning. If one side has five hundred and the other two hundred both might be destroyed. A powerful incentive to achieve surprise would be given to the weaker—what about Pearl Harbour? His natural fears would prey upon his moral and spiritual inhibitions (if indeed he was so encumbered).

When I read Mr. Cole's widely reported speech, I was surprised that its searing statements attracted so little comment. The reason is that human minds recoil from the realization of such facts. The people, including the well-informed, can only gape and console themselves with the reflection that death comes to all anyhow, sometime. This merciful numbness cannot be enjoyed by the few men upon whom the supreme responsibility falls. They have to drive their minds forward into these hideous and deadly spheres of thought. All the things that are happening now put together, added to all the material things that have ever happened, are scarcely more important to the human race. I consider that you and, if my strength lasts, I, cannot flinch from the mental exertions involved.

I wondered, pondering on your letter, whether this was the background which had forced you to express yourself with such intense earnestness. I understand of course that in speaking of the faith that must inspire us in the struggle against atheistic materialism, you are referring to the spiritual struggle, and that like me, you still believe that War is not inevitable. I am glad to think that in your spirit, as in mine, resolve to find a way out of this agony of peril transcends all else.

I entirely agree with Mr. Cole's remark that in this matter "It is more sinful to conceal the power of the atom than to reveal it." This would not of course mean one-sided imparting of secret knowledge. But perhaps we have now reached, or are reaching, the moment when both sides know enough to outline the doom-laden facts to each other.

Of course I recur to my earlier proposal of a personal meeting between Three. Men have to settle with men, no matter how vast, and in part beyond their comprehension, the business in hand may be. I can even imagine that a few simple words, spoken in the awe which may at once oppress and inspire the speakers might lift this nuclear monster from our world.

It might be that the proposals which you made at Bermuda and which are accepted by the Soviets for parleys on this subject, could without raising the issue formally give a better chance of survival that any yet mentioned.[4] The advantage of the process you have set in motion is that it might probe the chances of settlement to the heart without at the same time bringing nearer the explosion we seek to escape.

Yours ever,

WINSTON S. CHURCHILL

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[4] Presumably Churchill is referring to the discussion of the President's speech entitled "Atomic Power for Peace" during the meetings at Bermuda, Dec. 4–8, 1953. For records of these discussions, see vol. v, Part 2, pp. 1710 ff.; for the text of the speech as delivered on Dec. 8 to the U.N. General Assembly, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953*, pp. 813–822, or Department of State *Bulletin*, Dec. 21, 1953, pp. 847–851.

No. 431

Eisenhower Library, Eisenhower papers, Whitman file

President Eisenhower to Prime Minister Churchill

TOP SECRET WASHINGTON, March 19, 1954.

DEAR WINSTON: I have pondered over your letter.[1] You are quite right in your estimate of my grave concern at the steady increase in methods of mass destruction. Whether or not the specific possibilities of devastation that you mention are indeed demonstrated capabilities, the prospects are truly appalling. Ways of lessening or, if possible, of eliminating the danger must be found. That has been my principal preoccupation throughout the last year.

It was after many weeks of thinking and study with political and technical advisers that I finally reached the conclusions which we talked over at Bermuda and which were embodied in my eighth of December address to the United Nations Assembly. As you are well aware, that plan was designed primarily as a means of opening the door of world-wide discussion—with some confidence on both sides—rather than as a substantive foundation of an international plan for the control or elimination of nuclear weapons. But honest, open technical discussions on an internationally supported plan to promote peaceful uses of this new science might lead to something much more comprehensive.

Since last December, we have been following up this matter as actively as its technical character permits. Foster had two or more talks with Molotov when they were at Berlin. We have a draft plan which, after consultation with your people and those of two or three other countries, will, I expect, be transmitted to the Soviet Union through diplomatic channels, as agreed, probably next week.[2]

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[1] *Supra*.

While there have been some indications that the Soviets might want to confuse the issues with extraneous political matters, on the whole it is encouraging that they so far seem prepared to accept businesslike procedures.

In its entirety the problem is one of immensity and difficulty, as you so graphically stated. But I repeat that I deem it important to make a beginning in an exchange of views, which, as you suggest, could open up new and more hopeful vistas for the future.

I doubt whether the project on which we are engaged would, at this moment, be advanced by a meeting of heads of government. In fact, I can see that such a meeting might inject complications. From our side, there is the question of France, which is very delicate at the moment. The Soviets have indicated that, if there were oral conversations, they would want to bring in the Chinese Communists.

My impression is that matters are in a reasonably good way, but that they require constant concern and vigilance and, I hope, frequent and intimate personal exchanges of views between the two of us.

With warm regard,[3]

As ever

IKE

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[2] Regarding the U.S. proposals on atomic energy, see vol. II, Part 2, p. 1372.

[3] A draft reply to Churchill, dated Mar. 17, which was prepared by Secretary Dulles and which is the same in substance as this letter, is in Presidential Correspondence, lot 66 D 204, "Eisenhower Correspondence with Churchill".

No. 432

Eisenhower Library, Eisenhower papers, Whitman file

Prime Minister Churchill to President Eisenhower

TOP SECRET

[LONDON,] undated.
Received March 29, 1954.

MY DEAR FRIEND: There is widespread anxiety here about the H-bomb and I am facing a barrage of questions tomorrow about the

March 1 explosion.[1] Our instruments here record a second explosion in the series mentioned in our private talks at Bermuda on 26 instant.

2. I am well aware of all your difficulties in view of the McMahon Act, etc., and of the efforts you are making to obtain greater freedom to give us the information and I shall do my utmost to safeguard our common interests as they are developing. It would be a great help to me if I could say that in return for the facilities we accorded to American aircraft at the Australian experiments the American authorities had agreed to our sending aircraft to collect samples of debris at very great heights.

3. I should also like to say that apart from this act of reciprocity we have no information as yet of the results of the experiment but we hope it may be possible within the limits of existing United States legislation to give us a report of what occurred.

4. I shall of course repulse all suggestions—and there are many—that we should protest against the continuance of your experiments. I have to speak at 3.30 p. m. G.M.T. Tuesday 30.[2] The Prof is also telegraphing to the Admiral.[3]

WINSTON

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[1] On Mar. 1, 1954, the United States had begun a series of hydrogen bomb tests in the Bikini-Eniwetok area of the Marshall Islands.

[2] President Eisenhower replied to this message on Mar. 29 saying that he understood that Admiral Strauss had already been in touch with Ambassador Makins and that the first two questions raised by the Prime Minister had been covered satisfactorily. (Eisenhower Library, Eisenhower papers, Whitman file)

[3] Lord Cherwell and Admiral Strauss, respectively.

No. 433

Eisenhower Library, Eisenhower papers, Whitman file

Prime Minister Churchill to President Eisenhower

TOP SECRET

[LONDON,] undated.
Received April 1, 1954.

MY DEAR FRIEND: I am grateful to you for permission to speak about the aircraft in reply to a question.[1] As we are going to have a full dress debate on Monday the question has been postponed. I send you herewith the answer I was going to give which I think meets most of Strauss' misgivings.[2] I shall now weave it into my argument. Meanwhile any topical comments upon it will be welcome.

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[1] Under reference here is the message from President Eisenhower which is summarized in footnote 2, *supra*.

[2] Churchill is referring to the attachment below.

2. Another matter far more important presses upon me. The foundation of my argument is that the United States Government is bound by the McMahon Act and cannot disclose forbidden information even to their closest friends. You are appealing to Congress for more flexibility in view of our own knowledge independently acquired and the general diffusion of knowledge on this subject. Our Opposition, especially its anti-American left wing, are trying to put the blame for the present restriction of information on to me and this increases my difficulty in defending, as I have done and will do, your claim to keep your secrets as agreed with the late Socialist Government. I am also supporting, as you will have seen, your continued experiments.

3. In view of the attacks, however, I am sure you will agree that the only course open to me is to quote and publish the text of my agreement with F.D.R. in 1943, which completely vindicates my own care of British interests. [3] You will remember I showed it to you in Bernie's flat before you had assumed power, on my way to Jamaica in January, 1953. [4] It will prove decisively that the Opposition, not I, are responsible for our present position, and how great is the difference between the situation which I handed over when I was thrown out by the election of 1945 from the new position which I inherited from the Socialists in 1951.

4. The fourth clause of this document about commercial possibilities contains a prediction by me that I was content to leave the future of commercial atomics to the President of the United States, "as he considered to be fair and just and in harmony with the economic welfare of the world." This has now been vindicated in a striking manner by your scheme announced in U.N.O. on December 8, 1953. [5] I feel I have a right to disclose this document which I signed with your predecessor eleven years ago, and which has since been superseded by other treaties agreed between Great Britain and the Truman Administration. I am nevertheless explaining my position and intentions to you because of our personal friendship and our various talks about the document. It would be an encour-

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[3] For the text of the Agreement relating to Atomic Energy, signed by Roosevelt and Churchill at Quebec on Aug. 19, 1943, see *Foreign Relations*, The Conferences at Washington and Quebec, 1943, pp. 1117-1119.

[4] Regarding Churchill's conversations with President-elect Eisenhower in New York at the beginning of January 1953, see Document 373.

[5] For the text of President Eisenhower's speech before the U.N. General Assembly on Dec. 8, 1953, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953*, pp. 813-822, or Department of State *Bulletin*, Dec. 21, 1953, pp. 847-851.

agement to me to hear from you that you are content with the course I am taking.

Our talks with Stassen went off very well and will, I am sure, produce fruitful and harmless results. [6]

With kindest regards,

WINSTON

[Attachment]

Text of Answer Referred to in Paragraph 1 of the Prime Minister's Message to the President

[LONDON,] undated.

The United States authorities agreed that we should have certain limited facilities for collecting scientific data bearing on the effects of the present series of nuclear experiments in the Pacific. This arrangement was made in return for similar facilities which we had granted to the Americans on the occasion of our own nuclear test in Australia. For this purpose an aircraft of the Royal Air Force made a flight in the vicinity of the explosion of March 1, some hours after it occurred; a similar flight was also made on March 27. No injury or damage was suffered by this aircraft or its crew, on either occasion. I think, however, that the House should know that two Canberra aircraft which had been assigned to this duty were lost in transit between Australia and the base in the Pacific from which the experimental flights were to have been made. Of these, one is believed to have fallen into the sea and its crew of three have been posted missing. The second made a forced landing on an Island with the loss of the aircraft but without injury to the crew. Her Majesty's Government greatly regret the loss of life and I feel sure that the House would wish me to express our sympathy with the relatives. The House will understand, however, that the loss of these two aircraft was in no way due to the risks of the special mission which they were to have undertaken.

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[6] At the end of March Stassen was in London to discuss East-West trade; for a record of his conversation with Churchill on Mar. 28, see telegram 4201 from London, Mar. 29, vol. I, Part 2, p. 1134.

No. 434

711.11 EI/4-154

President Eisenhower to Prime Minister Churchill [1]

SECRET WASHINGTON, April 1, 1954.

DEAR WINSTON: I have your letter received today. [2]

I give you quickly my reaction, which on both counts is affirmative. The proposed text referred to in paragraph 1 is quite in order from our standpoint. With reference to the matters dealt with in your second, third and fourth paragraphs, I can only say that I am, to use your word "content" with the course you plan. Of course, some of this history is not fully known to me, but I certainly would not feel disposed to interpose any objection. I am confident you have weighed this matter with the wisdom which you always bring to bear on these momentous matters.

Harold Stassen has just told me of his talks, and I share your judgment of the outcome. [3]

With warm regard,

IKE

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[1] This message was transmitted to London in telegram 5111, Apr. 1, for delivery to the Prime Minister. Also transmitted in telegram 5111 was the text of Prime Minister Churchill's message, *supra*.

[2] *Supra*.

[3] Regarding Stassen's visit to London, see footnote 6, *supra*.

No. 435

684A.86/4-1254: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State

TOP SECRET PRIORITY LONDON, April 12, 1954—10 a. m.

4490. For the Under Secretary from the Secretary. [1] Eden dined quietly with Aldrich and me last evening. We had a preliminary exchange of views with him of a general character on following subjects:

1. Arab-Israel problem, which we will discuss further tomorrow (see separate telegram re possibility message to Sharrett [2]).

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[1] On Apr. 10 Secretary Dulles left Washington for talks with the British and French in London and Paris on the situation in Indochina. He was in London Apr. 11-13 before continuing to Paris. For further documentation on his trip, see vol. XIII, Part 1, pp. 1302 ff.

[2] Telegram 4489 from London, Apr. 12. (684A.85/4-1254)

2. Atomic and hydrogen weapons. This was a general discussion on public reaction to nuclear weapons and problems connected with achieving adequate defense for bearable cost. I will talk to Eden about this further tomorrow.

3. Indochina and joint action in Southeast Asia. I explained to Eden in detail our apprehensions regarding French weakening at Geneva and our views on joint action in SEA. Eden indicated a real willingness to consider defense arrangements in SE Asia on the basis of united action but he is obviously against implementation of any coalition prior to Geneva. I believe he would strongly and actively support such action if Geneva fails. He was enthusiastic about Thailand support. He is very doubtful that Indochina can be held by additional air and sea support only and does not see where additional ground forces will come from. I had impression UK thinking not so much in terms of holding Indochina as in looking to possible arrangements for holding remainder of Southeast Asia if Vietnam goes.[3]

4. We also touched very briefly the EDC situation which we will discuss again before I leave. Eden will announce UK declaration of association with EDC on April 15.[4]

ALDRICH

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[3] For further documentation on Dulles' discussions with the British on Southeast Asia, see the memorandum by MacArthur, Apr. 12, and Sectos 1, 2, 3, and 10, dated Apr. 13, vol. XIII, Part 1, pp. 1307, 1319, 1321, and 1322.

[4] For documentation on the British Declaration of Association with the EDC, see vol. v, Part 1, pp. 905 ff.

No. 436

PPS files, lot 65 D 101, "Great Britain"

Memorandum of Dinner Conversation, by the Secretary of State

TOP SECRET
LIMITED DISTRIBUTION

[LONDON,] April 12, 1954.

Guests attending:
Anthony Eden
Winthrop Aldrich
John Foster Dulles

The PM's physical condition seemed to have deteriorated, although there was no evidence of any definite physical ailment. He enunciated about as usual, and at the end of the evening, walked down the two flights of stairs with me to the door where we were photographed together. He seemed, however, mentally less robust and more pliable and more dependent upon guidance from Eden.

The following topics were touched on:

1. *Nuclear Weapons.* The PM spoke approvingly of the idea, which Eden and I had discussed, of a possible moratorium on large experiments.

2. *Relations with Russia.* The PM repeated the theme that the Russian people wanted a better life with more diversion, and that if we cater to this, we would give them more of a vested interest in peace. He said he realized that peace had not always come out of good economic and commercial conditions, but still he thought it worth while trying within limits. He said he would not want to "take a chance" by giving them too much. He did *not* speak of a three-power meeting.

3. *Satellites.* The PM said that he did not think you could have permanent peace in Europe so long as the satellite countries were held closely under Soviet rule. I said that possibly something like a Finnish relationship might evolve. Eden said he felt that this was difficult, because considerable autonomy was permissible to Finland from Russia because Finland was "the road to nowhere", but the satellite countries were "the road to somewhere else".

4. *Egypt.* I complimented the PM on the new approach to the Egyptian problem, and said that the idea of substituting civilian technicians for military was a statesmanlike and resourceful solution. Mr. Churchill merely grimaced to show his distaste for the proposal.

5. *France.* The PM followed his usual line. He said that only the English-speaking peoples counted; that together they could rule the world.

6. *India.* He again reiterated his bitterness at the "give-away" of India. He said the Labor Government had given India away to the accompaniment of US plaudits, but that the result was something we would have to live with painfully for a long time.

7. *Israel.* I referred to the fact that I understood that he had sent a message to Sharrett. I hoped that this would lead him or Eden to tell me of the long reply which Eden told me Churchill had received. However, Churchill evaded this, merely saying he had sent a personal message because of his known Zionist sympathy. (Eden had told me earlier that the reply had indicated that the policy of reprisals was now a definite government policy.)

8. *President Eisenhower.* I conveyed the President's warm personal greetings, and said that the President had considered the possibility of suggesting that instead of my coming to London, he and I and the Prime Minister and Mr. Eden might have met together at Newfoundland. However, he had not proposed this, because he

knew it would create too much of a crisis atmosphere, and also it would raise more acutely the problem of French omission. The PM sent his warmest greetings to the President. He said he would like to have him come to London, and also later he said he himself planned to come to Washington again.

9. *US Relations*. The PM said he thought that not more than one-fourth of the Labor Party, which meant one-eighth of the House, was anti-American. He supposed there was a similar percentage in the US that was anti-British. He particularly deplored threatening speeches such as the recent one of Senator Knowland, which threatened to cut off military and economic assistance unless the British did what we wanted. He said that was no proper basis for a good relationship.

10. *Labor Opposition*. Eden asked the impression I had received from my private talks with Attlee and Morrison at his luncheon.[1] I said that I had, I felt, explained the misunderstanding created as a result of our prompt press guidance on the recent Soviet note concerning NATO.[2] I also presented briefly our thoughts about Indochina. I said these latter had been listening to it attentively and with no apparent evidence of disapproval. Mr. Eden remarked that often Mr. Attlee and Mr. Morrison appeared to acquiesce, but later on attacked openly in the House. Mr. Churchill indicated that he did not like having any talks with the opposition, who, he felt, were always playing politics.

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[1] No record of this luncheon has been found in Department of State files.

[2] For documentation on the Soviet note of Mar. 31, proposing, *inter alia*, Soviet membership in NATO, see vol. v, Part 1, pp. 487 ff.

No. 437

611.00/4-1354: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State[1]

SECRET NIACT LONDON, April 13, 1954—3 p. m.

4523. For the Acting Secretary from the Secretary. Following is resumé of my final meeting with Eden this morning:

1. We agreed to communiqué already sent you in separate message.[2]

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[1] Repeated to Paris for the Secretary's party.

[2] Telegram 4513 from London, Apr. 13. (790.00/4-1354) For the text of this communiqué, see Department of State *Bulletin*, Apr. 26, 1954, p. 622.

2. United action in Southeast Asia. I told Eden I intended to press French re real independence for Associated States, and hoped he would use influence in same direction. Also told Eden after we completed this trip we would get in touch with British to see how best we might proceed in organizing united will to resist aggression in SEA. One possibility was to establish informal working group in Washington. Eden thought this good idea and said Makins would be available.

3. We discussed Trieste briefly and Thompson is sending message on this. [3]

4. UN Disarmament Commission. Eden raised possibility of Disarmament Commission meeting in London about May 7. UK regards this as cold war exercise designed to put Soviets on spot and believes USSR vulnerable since they have always insisted that any sanctions be subject to veto in Security Council. Eden thought it important to have disarmament discussions on comprehensive plan in London so that it would not get intermingled with debates in Security Council on Arab-Israel and other matters. I told Eden that if it would help UK to have discussions in London I would go along. I also told him that I thought Disarmament Commission talks should be separate from discussions on President's December 8 proposal re atomic energy [4] which was a different aspect of atomic problem and should be carried on through diplomatic channels, at least for coming period. Eden agreed. Re report that suggestion might be made for Disarmament Commission to meet in Paris rather than London, Eden and I both agreed that meeting in Paris would be most unwise, Eden commented that meeting in London would get Jules Moch out of Paris which would be helpful for EDC.

(For General Smith: It is important that we get someone to represent us on the Disarmament Commission in view of possibility of London meeting May 7. In fact Eden suggested there may be some form of working group meeting in New York after April 20. I would appreciate hearing from you after my return on how we stand re the names we discussed for this job prior my departure.)

5. Korean phase Geneva Conference. [5]

(a) I said we had two basic thoughts: We must carry ROK with us in any proposal which we put forward at Geneva since without their acceptance proposal was meaningless.

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[3] Telegram 4520 from London, Apr. 13. (750G.00/4-1354)

[4] For the text of President Eisenhower's speech before the U.N. General Assembly on Dec. 8, 1953, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953*, pp. 813-822, or Department of State *Bulletin*, Dec. 21, 1953, pp. 847-851.

[5] For documentation on the Geneva Conference, see volume XVI.

(b) We regard Geneva as serious negotiations and while not overhopeful wish to try for settlement involving unification and independence at Korea, therefore we should have some give in our position so that we can make concessions. We should not give up all our trading possibilities. While we would fully consult with other 16, US should have pretty much control of tactics. The Communists at Geneva will show a single will and if all 16 try to quarter-back operation we will get nowhere. Since US seems to have principal responsibility for trying to reach agreement and bringing ROK along we must have a tactical flexibility.

I outlined our view on opening position at Geneva based on UN Commission designed to oversee Korean elections explaining that this Commission's work had been interrupted by aggression in 1950 and that we could make a plausible and honorable case that it should carry on with the task given it by the UN. I recognized this would not be acceptable to the Communists but felt that we could stand before the bar of world opinion in putting it forward. Eden said that my presentation cast different light on situation, thus far he had only seen reports that we intended to have elections in North Korea and not in South Korea. Propagandawise this would be a very difficult position to maintain and he stressed the importance of carrying not only British but world opinion with us. He said UK had been thinking of a German type formula similar to Berlin. In light of my comments, however, he felt UK might be be able to support opening position I had outlined above. He believed Communists would come forward with specious proposal and UK would like to counter with something that seemed eminently reasonable but probably would not be accepted by Communists. He had not liked what he heretofore understood US proposal to be since he thought it tactically unsound to put forward a case which would be shot down and then produce another proposal. Now that he understood the proposition we had in mind he felt much better. He asked whether we could spell out for his people our presentation and I told him we would be glad to do so, and could probably discuss it in Paris next week. (Alex Johnson should draw up draft of US presentation at Geneva for my consideration next Monday.)

Selwyn Lloyd doubted that we would obtain unified Korea and asked whether we evisaged other measures which might make the armistice safer and more durable. For example, if the neutrals on UN Commission were no longer willing to remain in Korea what would we do and what would replace UN Commission. I said we would also give thought to this point.

6. There was brief discussion on the composition of the Indo-China phase of the Geneva Conference. Eden fully agreed that the Big Four would invite all participants. He also believed that very early at Geneva we would have to discuss composition of Indo-

China phase. Last night at Churchill's dinner [6] I mentioned to Eden possibility of having following participants in addition to Big Four and Communist China: Three Associated States–Thailand–Burma–Ho Chi Minh. Eden said he rather liked the idea of Thailand and Burma and thought Ho's participation essential. Re possible participation of Ho we agreed that it would be unwise for us to press the French and Associated States on this or take any initiative in raising it.

ALDRICH

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[6] Regarding Churchill's dinner on Apr. 12, see the memorandum of dinner conversation, *supra*.

No. 438

841.00/4-2154

The Government of the United Kingdom to the Government of the United States

SECRET [LONDON, April 1954?] [1]

THE COLLECTIVE APPROACH TO FREER TRADE AND CURRENCIES

1. In 1953, the United Kingdom Government presented to the United States Administration a Memorandum dated February 10, on Freer Trade and Currencies. [2] The proposals in that Memorandum emerged from the Commonwealth Economic Conference in December, 1952 [3] and were again endorsed by Commonwealth countries at the Sydney Conference in January, 1954. [4]

2. The proposals in the United Kingdom Memorandum referred to above constituted a co-ordinated and comprehensive whole: they were, however, not put forward as cut-and-dried propositions but rather as a basis for exploratory discussions with other countries in order to see how far international agreement could be secured on the main purposes and features of the proposals.

3. The United States/United Kingdom discussions in Washington in March, 1953 did not go beyond a general survey of the Common-

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[1] The source text bears the handwritten notation "UK paper—handed in about 1 May 1954." The only date on the paper is Apr. 21, 1954, which appears on the fourth annex, not printed.

[2] Regarding this memorandum, see Document 375.

[3] Regarding this Commonwealth Conference, see Documents 371 and 372.

[4] Regarding the Sydney Conference, see Document 427.

wealth proposals.[5] In the Communiqué issued at the end of these discussions, however, it was stated:—

> "The Government of the United States will undertake, and continue over the next several months, an intensive examination and review of the general subjects discussed at the present meetings, including the suggestions resulting from the Commonwealth Economic Conference, and possible alternative suggestions, in order to arrive at a sound judgment with respect to the specific courses of action which might be taken."[6]

Since then there have been occasional discussions at various levels between the United States and the United Kingdom on certain general and particular aspects of the Collective Approach. The United Kingdom Government would welcome now a systematic and detailed exchange of views at the official level with the U.S. Administration in order to ascertain how far the Commonwealth proposals on particular aspects of the Collective Approach commend themselves to the United States and whether the United States have any alternative suggestions to make, as envisaged in the Communiqué quoted above.

4. The main particular topics which the United Kingdom hope can now be fruitfully discussed are:—

(i) Support Funds for Convertibility.
(ii) Trade Policy and Rules under Convertibility.
(iii) International Organizations.
(iv) Exchange Rate Policy.

Notes on each of these topics are attached in order to facilitate the proposed discussions.[7]

5. There are other major aspects of the Collective Approach on which further discussions would be desirable at an appropriate time, in particular the European problems arising out of the Collective Approach, and the question of "good creditor" policies.

6. The United Kingdom have always recognized the importance of arranging the advance to convertibility and freer trade in such a way as to minimize damage to the fabric of European cooperation in all its aspects. This was one of the reasons for the "collective" element in the Commonwealth proposals, although this did not imply that an advance must be delayed until every country in Europe is ready to participate. The Commonwealth proposals, as explained to European countries, contained suggestions for the replacement of E.P.U. credits by I.M.F. credit, for the maintenance of

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[5] For documentation on the U.S.-U.K. talks, held at Washington, Mar. 4-7, 1953, see Documents 375 ff.

[6] See Document 391.

[7] None of the four annexes is printed.

liberalization of trade, and for continuing economic cooperation in Europe. United Kingdom discussions with European countries have not, however, yet reached a stage where the United Kingdom Government think it would be useful to discuss this aspect with the U.S. Administration. The United Kingdom believe, however, discussions with the Europeans would be greatly facilitated if progress could be made in United States/United Kingdom discussions of the topics in paragraph 4.

7. The United Kingdom Memorandum of February, 1953 attached great importance to changes in United States policies which would increase the opportunities of the rest of the world to acquire U.S. dollars through trade and investment. As recommendations in this field by the President of the United States are now before Congress, further discussion at this stage would perhaps be inopportune. The United Kingdom will wish at a later stage, in the light of any Congressional action and of the general development in the pattern of United States external policies, to discuss with the U.S. Administration the prospects for a dependable balance in United States payments with the rest of the world.

No. 439

741.13/4-2754: Telegram

The Chairman of the Joint Chiefs of Staff (Radford) to the Consulate at Geneva

TOP SECRET WASHINGTON, April 27, 1954—1:24 p. m.
OPERATIONAL IMMEDIATE

JCS 960578. From CJCS sgd Adm Radford exclusive for Secretary Dulles info Ambassador Aldrich. [1]

I received a most cordial reception from the Prime Minister at Chequers where I dined with him last night. [2] The only others present were Captain Anderson and the Prime Minister's private secretary. Sir Winston was in good conversational mood. He talked with great frankness and also listened attentively.

The line taken by Sir Winston was in exact accord with my understanding of views expressed by Mr. Eden to Secretary Dulles at Geneva and as stated earlier to me yesterday by the British Chiefs of Staff. [3] He is apparently aware of serious implications stemming from the deterioration of the French position in Indo-China involving the possible loss of the Associated States and later of other areas of South East Asia. He recognizes this will probably lead to a worsening of the French position in North Africa and have its effects on NATO, particularly in case a more neutralist-minded government comes to power in France.

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[1] Secretary Dulles was in Geneva for the opening of the Geneva Conference. This telegram was repeated to London.

[2] Admiral Radford was returning from a 3-day visit to France and had stopped in London on Apr. 26.

[3] See telegram Tedul 15, Apr. 28, vol. XVI, p. 594.

While he deplores the foregoing possibilities he is determined to commit forces and incur risks only to hold Malaya both militarily and politically. This he thinks can be done. He brushed aside the potential threat to Australia in the event that Indonesia falls into the Communist camp and the effect of the loss of the rice producing areas on the Far Eastern situation generally. He did not seem to appreciate the effect of the loss of South East Asia on the future of Japan. In connection with NATO, he stated that we have waited long enough for the French to make EDC a reality, therefore the United Kingdom and the United States should "get on with the rearming of the Germans themselves" glossing over the question as to how this should be accomplished.

Throughout the evening's conversation, the Prime Minister repeatedly referred to the loss of India to the Empire making the point that since the British people had been willing to let India go they would certainly not be interested in holding on to such a place as Indo-China for the French. He discoursed at length on the impact of the threat of atomic weapons to the U.K. itself, citing this as a factor which required the utmost caution in dealing with the situation in the Far East. Other than endorsing the position set forth by Mr. Eden to Secretary Dulles and his affirmation of his determination to fight for Malaya, the only solution for the problem of containing the Communist offensive, world wide, which Sir Winston appears to have in mind is a personal and intimate conversation between President Eisenhower, Mr. Malenkov, and himself to settle the big problems. He refers to tackling the problem at the "summit" instead of the fringes.

The Prime Minister made the same point mentioned to me by the British Chiefs of Staff that they regretted that the United States had not stood with them two years ago in coping with their problem in Egypt and in maintaining the security of the Suez Canal. I gathered that the Chiefs referred to a U.S. refusal at that time to make a joint approach to the Egyptian Government. Our recent agreement, they apparently feel, does not make up for our unwillingness to join forthrightly at the earlier occasion.

The Prime Minister deplored his lack of personal knowledge of the Far East stating that he had never been beyond Calcutta and that he did not really know the problems and solutions for the area. I suggested that it might be helpful to him to have a conversation with Mr. Malcolm MacDonald who was thoroughly familiar with matters in the Far East. He seemed receptive to this suggestion.

I indicated to Sir Winston the possibility of an unfavorable reaction of U.S. public opinion particularly by the U.S. Congress should Great Britain not join with the United States and other nations in a real effort to stop the spread of Communism in Asia. I pointed out that the trend of Congresssional thinking had been evidenced by the restriction imposed last year on military assistance to European countries because of the failure to implement the E.D.C. He did not react to this point except to state that he hoped that Britain could soon be fully independent of financial and material aid from the United States.

While it is possible I may have given him some food for thought, I feel certain that for the present at least he is unwilling to alter the British position. In fact I do not believe he is prepared to take collective action on any matter involving commitments of British resources or incurring any risks unless some British territory is under imminent threat. His personal appraisal of action which can be taken to halt the spread of world Communism seems now limited to talks as he says at the summit. Whether this stems from a personal conviction, a real fear of atomic attack on Britain, or a feeling that the British people will not approve a stronger course, I do not know.

No. 440

741.13/5-454: Telegram

The Chargé in the United Kingdom (Butterworth) to the Department of State [1]

TOP SECRET PRIORITY LONDON, May 4, 1954—5 p. m.

4882. Eyes only the Secretary. General Collins and Admiral Wright lunched with Winston Churchill May 3 and have jointly prepared following memorandum of conversation. They asked that copies be passed to Department Defense and Joint Chiefs of Staff.

"1. Present at the luncheon in addition to the Prime Minister were Lord Alexander, Minister of Defense; First Lord of the Admiralty, Mr. J. P. L. Thomas; General J. Lawton Collins and Admiral Jerauld C. Wright.

2. Prime Minister's reaction to recent statement Mr. Cole:

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[1] Repeated to Paris.

a. Sir Winston Churchill greeted us with a reference to a public statement made by Mr. Sterling Cole, Chairman of the Joint Congressional Committee on Atomic Energy in New York on Thursday, April 29th. Sir Winston said that it was too bad that he had to receive information from the public press of the nature outlined by Mr. Cole. Major points arose during the conversation which will be discussed in the paragraphs below.

b. Sir Winston sent for a copy of the statement (which General Collins and Admiral Wright did not have the opportunity to examine), extracts from which he read to us at lunch. He particularly emphasized the portions referring to the equivalent weight of explosive that could be carried now by a single aircraft, the terrific power of the hydrogen bomb and that fact that Mr. Cole estimated that not more than one fourth of the bombers which might attack the United States would be shot down. Sir Winston referred to the much greater proximity of the British Isles to Soviet Russia and said that if these statements of Mr. Cole were correct how much greater was the threat to England.

c. The Prime Minister again referred to his concern over having to get such information from the public press. General Collins stated that actually there was not much more in Mr. Cole's statement than had been already said by General Vandenberg, either before Congressional committees, or in a public statement about a year or so ago. Sir Winston said that he had not noted Vandenberg's statement and later asked if he could obtain a copy of it. General Collins promised to see if he could obtain one.

d. The Prime Minister's conclusion from Mr. Cole's statement was that if Mr. Cole was right, America's power of retaliation could, and possibly would, be wiped out by an initial Soviet attack and that this would, therefore, have to change the whole American military policy.

e. General Collins then said that it appeared to him as if Mr. Cole was considering the potential power of the Soviets posed against the present relatively inadequate defenses of the United States to meet a Soviet air attack. Lord Alexander seemed also inclined to discount the effectiveness against the United States of an initial Soviet attack. Our impression was that Lord Alexander was not so nearly disturbed over Mr. Cole's statement as Sir Winston appeared to be.

3. Mr. Churchill's reference to the British decision not to participate in the defense of Dien Bien Phu:

a. Mr. Churchill referred to the fact that the nearest British carrier was in the Mediterranean and that he was convinced that the total naval air forces which could be mustered, which he said would total not more than about 170 (referring apparently to United States navy airplanes), could not be decisive to prevent the fall of Dien Bien Phu. He said that since intervention would not be decisive, the British were opposed.

b. Mr. Churchill spoke with some bitterness with reference to the French failure to send anyone except volunteers to Indochina and to the French lack of skill in committing such valuable forces, including the bulk of their Foreign Legion, to the defense of an isolated post such as Dien Bien Phu and then calling upon their friends to bail them out.

c. Neither General Collins nor Admiral Wright made any comment with respect to the Prime Minister's statement. Each of them had earlier made clear that he had no responsibility for anything that transpired outside the NATO setup.

4. Mr. Churchill's reference to EDC and German participation therein:

a. Mr. Churchill spoke of the relative impotence of the NATO forces in Central Europe without German participation. He again referred critically to the French who, after initiating the concept of EDC, were now apparently doing everything to block it.

b. Lord Alexander said he was convinced that the French never had any idea that EDC would be anti-red [*ratified*?] and had merely proposed it to delay the re-arming of Germany.

c. There then followed some discussion of the importance of a land defense of Central Europe as far to the east as possible. General Collins pointed out that this was essential to the defense of Britain in a modern war and ventured the suggestion that not just one British armored division, but every available British division could better be employed on the Continent than left in garrison in the British Isles. Lord Alexander generally agreed with this, but the Prime Minister, reverting to British experience in the last war, said that it would be necessary to retain forces in England for defense against an airborne invasion.

d. It was clear that the Prime Minister really knew little of NATO's defense plans and had little confidence in the ability of the forces available to prevent the over-running of Western Europe.

e. Both the Prime Minister and Lord Alexander referred to the possibility of taking Germany into NATO or developing some other vehicle for the re-arming of Germany. Lord Alexander even referred to the possibility of a combination of British, German and American military forces for the defense of Western Europe. General Collins pointed out the impossibility of a defense based upon such forces alone without France, since the logistical support of forces in Europe must pass through France."

BUTTERWORTH

No. 441

741.13/5-3054: Telegram

The Under Secretary of State (Smith) to the Department of State

TOP SECRET GENEVA, May 30, 1954—4 a. m.

Unnumbered. Absolutely no distribution. Eyes only Secretary. Following personal message from the Under Secretary is to be delivered to Secretary Dulles and to no one else.

Dear Foster:

The conclusion of our closed session today was so revealing that I must give you my personal impressions to supplement Secto 349. [1] Although, during the recess, I told Eden that when Molotov suggested, as a communiqué, the plain text of the United Kingdom proposal, I would be obliged to say that the United States must also make plain its reservations on matters of unagreed principle; and although at that time he indicated complete agreement, his subsequent performance and that of Lord Reading was absolutely shocking to me.

I stated the United States position in the most restrained terms. Eden and Reading, although informed in advance as I have said, staged a demonstration of petulance and annoyance, the like of which I have never seen before at an international conference. Their attempt to distort and deceive was so obvious that even Molotov could not swallow it, and his final proposal was, by comparison, reasonable and moderate.

I have done everything I possibly can here to retain an Anglo-American equilibrium. I smiled pleasantly today when Eden told me that my statement at yesterday's plenary session, which the London *Times* reported as "a clear and restrained defense of the United Nations and the principle of collective security," was "frightful." I shall continue to do so. . . . I felt, in view of the impending visit, [2] that I should give you this personal estimate. You may not agree with it, but here it is, for what it is worth. Signed Beedle.

SMITH

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[1] For this record of the May 29 session of the Geneva Conference, see vol. XVI, p. 970.

[2] For documentation on the visit of Prime Minister Churchill to Washington, June 25–29, see Documents 454 ff.

No. 442

Editorial Note

Prime Minister Churchill and President Eisenhower met in Washington June 25–29, to discuss problems of mutual concern. For documentation on their meetings, see Documents 454 ff.

No. 443

Eisenhower Library, Eisenhower papers, Whitman file

Prime Minister Churchill to President Eisenhower [1]

TOP SECRET [LONDON, July 7, 1954?]
PRIVATE AND PERSONAL

DEAR FRIEND: In the light of our talks [2] and after careful thought I thought it right to send an exploratory message to Molotov to feel the ground about the possibility of a two power Meeting. This of course committed nobody except myself. The follwing is a summary of my message.

Begins: After referring to my speech of May 11, 1953 for a top level Meeting of the Big Three, [3] and to the statements I have made from time to time in the House of Commons, that if this were impossible I would seek to make a contact myself with the Soviet Government, I put the question, how would they feel about it. I should like to know this, I said, before we make any official proposal, or considered such questions as the time and place. I went on, "I should be very glad if you would let me know if you would like the idea of a friendly Meeting with no Agenda and no object but to find a reasonable way of living side by side in growing confidence, easement and prosperity. Although our Meeting, wherever held, would be simple and informal and last only a few days, it might be the prelude to a wider reunion where much might be settled. I have, however, no warrant to say this beyond my own hopes. I ask you to let me know, as soon as you can, what you and your friends think." *Ends.*

2. This evening I received an answer from Molotov, which I send you textually. I should like to know how this strikes you.

Begins: "I express my gratitude for your important message handed to me by Ambassador Hayter on the 4th July.

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[1] The source text was attached to a note from Ambassador Makins to President Eisenhower, dated July 7, which stated that he had been asked by the Prime Minister to deliver the message to the President.

[2] For documentation on the Churchill-Eisenhower conversations, held at Washington, June 25–29, see Documents 454 ff.

[3] See Document 409.

It is with interest that the Soviet Government got acquainted with this message, the importance of which is quite clear. You may be sure that your initiative will find here favourable attitude which it fully deserves especially in the present international situation in general.

Your idea about a friendly Meeting between you and Premier G. M. Malenkov as well as the considerations expressed by you regarding the aims of such a Meeting, have met with sympathetic acknowledgement in Moscow. Mr. Anthony Eden's participation in such a Meeting who is closely connected with the development of the relations between our countries, is, of course, accepted as quite natural. We feel that such a personal contact may serve to carrying out a broader Meeting on the highest level, if it is accepted by all the parties which are interested in easing the international tension and in strengthening peace.

I deem it necessary to express to you the general opinion of the leading political statesmen in Moscow. They have often recalled about our friendly relations during the war and about the outstanding role which you personally played in all that. Once again you have rightly reminded of this time. One may ask why during the years of war there existed between our countries the relations which had a positive significance not only for our peoples but for the destinies of the whole world, and why such relations cannot be developed in the same good direction now. As to us we are striving to this end and we are regarding your message from this point of view."*Ends*.

3. We have many pleasant and enduring memories of our visit to the White House.

With my kindest regards.

WINSTON

No. 444

611.41/7-754

President Eisenhower to Prime Minister Churchill [1]

TOP SECRET WASHINGTON, July 7, 1954.

DEAR WINSTON: You did not let any grass grow under your feet. [2] When you left here, I had thought, obviously erroneously, that you were in an undecided mood about this matter, and that when you had cleared your own mind I would receive some notice if you were to put your program into action. However, that is now past history and we must hope that the steps you have started will lead to a good result.

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[1] This message was transmitted to London in telegram 130, July 7, with the explanation that another copy had been sent to Churchill through Ambassador Makins on that day.

[2] The President is referring to Churchill's message, *supra*.

I shall of course have to make some statement of my own when your plan is publicly announced. I hope you can give me advance notice as to the date that you will make a public statement on the subject. In this way, I will have time to prepare my own statement carefully.

I probably shall say something to the effect that while you were here the possibility of a Big Three Meeting was discussed; that I could not see how it could serve a useful purpose at this time; that you then suggested an exploratory mission of your own; that I said this would be essentially your own responsibility and decision. Finally, I said that, if you did undertake such a mission, your plan would carry our hopes for the best but would not engage our responsibility.

The fact that your message to Moscow was sent so promptly after you left here is likely to give an impression more powerful than your cautioning words that in some way your plan was agreed at our meeting. Of course, the dating of your message may not become public. This I think would be best because it will call for less explanation from me to the American public. In any event, I think you will agree that your program should be handled with the greatest delicacy to avoid giving either the misapprehension that we are in fact party to it, or the equally dangerous misapprehension that your action in this matter reflects a sharp disagreement between our two countries. I know that you will be aware of these twin dangers and I hope that by understanding and cooperation we can surmount them.

As to the content of Molotov's message as related in your cable, I can only observe that it must be almost exactly what you would have expected in the circumstances.

I am delighted that you enjoyed your visit here. I think that one of the major advantages we may have gained from it is what seems to me an obvious drawing together of Anthony and Foster in their thinking and relationships.

With warm personal regard,

As ever,

IKE

No. 445

Eisenhower Library, Eisenhower papers, Whitman file

Prime Minister Churchill to President Eisenhower [1]

TOP SECRET [LONDON, July 8, 1954?]

DEAR FRIEND: I hope you are not vexed with me for not submitting to you the text of my telegram to Molotov. [2] I felt that as it was a private and personal enquiry which I had not brought officially before the Cabinet I had better bear the burden myself and not involve you in any way. I have made it clear to Molotov that you were in no way committed. I thought this would be agreeable to you, and that we could then consider the question in the light of the answer I got.

2. Much grass has already grown under our feet since my telegram to you of May 4, 1953. [3] I should be grateful if you would glance again at our correspondence of that period. I have of course stated several times to Parliament my desire that a top level meeting should take place and that failing this I did not exclude a personal mission of my own. I have never varied, in the fourteen months that have passed, from my conviction that the state of the world would not be worsened and might be helped by direct contact with the Russia which has succeeded the Stalin era. However, as you say this is now past history.

3. I thought Molotov's reply was more cordial and forthcoming to what was after all only a personal and private enquiry than I had expected. It strengthens my view that the new government in the Kremlin are both anxious about the thermo-nuclear future and secondly, attracted by the idea of a peaceful period of domestic prosperity and external contacts. This is certainly my view of what is their self-interest. I was struck by the fact that they did not suggest a meeting in Moscow but respected my wish to leave the time and place entirely unsettled. Of course it would be much better to have even the two power meeting about which I enquired in Stockholm or Vienna or Berne and if the Cabinet decide to go forward with the project a margin of six or eight weeks would be open to us for fitting the timing into the movement of events both at Geneva and in Indo-China.

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[1] The source text was attached to a note from Ambassador Makins to President Eisenhower which stated that the Prime Minister asked that it be sent to the President.

[2] Summarized in Document 443.

[3] Document 404. For the President's reply, see Document 405.

It is on all this that I most earnestly seek your advice, while being willing to bear the brunt of failure on my own shoulders.

4. I fear that grave military events impend in the Tonkin Delta and indeed, throughout Indo-China. I have heard that General Ely[4] does not think that there is any hope of holding an effective bridgehead in the Delta. There is, I am told, no doubt which way the Viet Nam population would vote if they were freely consulted. I well understood the sense of disaster and defeat in Indo-China may produce a profound effect in the United States as well as far-reaching reactions in Siam and Malaya. It is my hope that an increasing detachment of Russia from Chinese ambitions may be a possibility, and one we should not neglect.

5. Meanwhile, we shall keep you most thoroughly informed and I shall not seek any decision to make an official approach until I hear from you again. All I have said to Molotov in thanking him for his telegram is that a few days will be needed before any reply can be sent. There can be no question of a public announcement before our two governments have consulted together about policy and also agreed on what it is best to say.

I have impressed on the Soviet Ambassador the importance of absolute secrecy.

With kindest regards,

Yours ever,

WINSTON

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[4] French Commander in Chief in Indochina.

No. 446

Eisenhower Library, Eisenhower correspondence, Whitman file

Prime Minister Churchill to President Eisenhower[1]

TOP SECRET [LONDON, July 9, 1954?]

DEAR FRIEND: 1. I am very much relieved by your kind telegram[2] which reassures me that no serious differences will arise between our two governments on account of Russian excursion or "solitary pilgrimage" by me. I feel sure that you will do your best for me in presenting it to the United States public. I accept the full responsibility as I cannot believe that my American kinsmen will be unanimous in believing I am either anti-American or pro-Communist.

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[1] The source text was attached to a note from Ambassador Makins to President Eisenhower which was initialed by the President and which stated that the Prime Minister had asked him to deliver it to the President.

[2] Document 444.

2. I do not intend to go to Moscow. We can only meet as equals and though Stockholm which you mentioned to me before you took office, or Vienna, are both acceptable, Anthony has proposed what I think is the best, namely, Berne. If Malenkov will come to Berne when Geneva is over, Molotov could meet him there and Anthony and I could have a few talks on the dead level.

3. My idea is to create conditions in which a three, or perhaps with the French, a four-power conference might be possible, perhaps, as I said to you, in London early in September. For this I feel, and I expect you will agree, that Russian deeds are necessary as well as words. I should ask then for a gesture or as better expressed, "an act of faith" after all Stalin's encroachments in Poland, Czechoslovakia, Korea, etc. which ruptured Anglo-American wartime comradeship with them, and created the world wide union of the free nations, of which N.A.T.O. is the first expression and M.E.T.O. and S.E.A.T.O. are coming along. The sort of gesture I should seek at Berne would be, as I think I mentioned to you, an undertaking to ratify the Austrian Treaty on which *all* their conditions have been agreed, and to liberate Austria and Vienna from Russian military domination. Surely also it would be a help if they would accept your atomic theme which you told us about at Bermuda and afterwards proposed to U.N.O.

4. But I am not asking any promise from you that even if the above gesture were attained you would commit yourself to the three or four power conference in London, but naturally my hopes run in that direction.

5. Of course all this may be moonshine. The Soviets may refuse any meeting place but Moscow. In that case all would be off for the present, or they will give nothing and merely seek, quite vainly, to split Anglo-American unity. I cherish hopes not illusions and after all I am "an expendable" and very ready to be one in so great a cause.

6. I should like to know your reactions to what I have set out above before I formally ask the Cabinet to propose to the Soviets the two power meeting as described.

7. Now let me come to the main subject of your telegram. Anthony and I were astonished on the voyage to read the press extracts and other reports, etc., about the storm in the United States about the admission of Red China to U.N.O. against American wishes. Still more were we amazed (though not suspicious) that this seemed to be in some way or other linked with our visit as if we had come over for such a purpose. In fact it was hardly discussed. A brief reference was made to it on June 27 at the Foster–Anthony

talks in which Anthony is recorded by us as having said the following:—

> China
> "Mr. Eden said that he thought he knew something about the difficulties which the United States Government faced in relation to their policy towards China. But Her Majesty's Government also had their difficulties. In dealing with this problem, he wished to keep in step with the United States. But he could give no unequivocal guarantee that it would be possible to do so." [3]

8. There is also a very well informed account in the Paris edition of the New York *Herald Tribune* of July 7. This states *inter alia* that Mr. Eden "according to information available here did not press his point but rather sought to reach a meeting of minds. In doing so he promised to give further thought to the question, to consult his Cabinet colleagues, and to enter into conversation with other governments which perhaps were considering favourable action on the Red China view."

9. The British position has in fact been defined in our absence but with our full agreement by the Foreign Office on July 5 as follows:—

> "The United Kingdom policy has been constant since 1951 when Mr. Morrison, the then Foreign Secretary, stated that Her Majesty's Government believed that the Central People's Government should represent China in the United Nations. In view however of that Government's persistence in behaviour which was inconsistent with the purposes and principles of the Charter it appeared to Her Majesty's Government that consideration of this question should be postponed. That was the policy of the late Government and it has been the policy of the present government. This policy was reaffirmed in July 1953 by the Chancellor of the Exchequer who stated that the only accretion or addition which he could make was the hope and trust that the day for settling this and other problems would have been brought nearer by the Korean armistice".

10. I shall confirm this in the statement I am to make to the House of Commons on Monday next and also point out that since July 1953 there has been no settlement of the Korean question—the armies are still in presence—and the problem of Indo-China has assumed more serious proportions. I hope that will ease American minds. I am very sorry that this business which anyhow does not come up at U.N.O. until the third week in September should have been magnified by Knowland and others into a serious difference between the United States and Great Britain on which the press on both sides of the Atlantic are having a good time. It has somewhat taken the bloom off the peach of our visit, especially as

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[3] For the U.S. record of this meeting, see Document 478.

we have not yet been able to make clear by deeds and policy the full measure of our agreement on what I think are far more urgent matters.

11. I need not say how deeply I feel the force of the arguments you use in the latter part of your last telegram although we do not think that any nation could never, repeat never, come into U.N.O. we feel as strongly as you do that they should not come in as a result or at the time of successful and impenitent defiance of the Charter and while still persisting in this attitude. Meanwhile surely the easiest way is to postpone it? We have got enough difficulties in the world to face without it at present.

12. Meanwhile I cannot see why Anthony should not go on trying to persuade China to behave decently even if their conduct should make them more eligible ultimately for membership of the club. I earnestly hope that all the talk and feeling that has been aroused about the issue will not spoil the prospects of a cease-fire leading to a settlement in Indo-China. Such as settlement would in no way weaken our resolve to develop S.E.A.T.O. on the widest lines including the Colombo Powers and bringing Great Britain in for the first time to A.N.Z.U.S. affairs.[4]

With my kindest regards,

Yours very sincerely,

WINSTON

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[4] On July 10 President Eisenhower sent the Prime Minister a brief reply to this message saying that he would study it over the weekend and transmit a complete reply (*infra*) early the next week. This message was transmitted to London in telegram 184, July 10. (741.13/7-1054)

No. 447

611.41/7-1254: Telegram

President Eisenhower to Prime Minister Churchill[1]

TOP SECRET WASHINGTON, July 12, 1954.

DEAR WINSTON: I have given much thought to your meaty message of July 9.[2]

You ask for my reactions to what you say about your proposed trip. You must, of course, know that never for one moment would this create any difference between two Governments which are headed by you and me, or alter in the slightest my profound confidence in you dedication to the principles which have so often united our two nations in time of peril, and which today constitute a most precious asset and the best guarantee of peace. I cannot, of course, undertake to deliver unto you what you refer to as the "United States public". I fear that it may reflect some doubts. But I pledge you that I will do my best to minimize whatever may be the immediate and unfavorable reaction. There will, I am confident, be general acceptance of the sincerity and lofty motivations of your efforts. Probably the majority will consider it, as Hoover is supposed to have said of Prohibition, "a noble experiment".

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[1] This message was transmitted to London in telegram 213, July 12, with the instruction that it be delivered to the Prime Minister.

[2] *Supra.*

I am glad that you will not be willing to meet except on a basis of full equality, as indeed I had always assumed. Also, I am reassured that you share the view I have often expressed that Russian deeds are necessary as well as words. Certainly, nothing but evil purpose can prevent their liberation of Austria, where our Foreign Ministers at Berlin accepted all of the Soviet terms. [3] The same applies to my atomic project which cannot possibly harm them and which could reestablish confidence if that be their desire.

Let me now turn to the other subject of your telegram, namely Red China. I too was amazed at the storm which was raised in the press about your presumed intentions. I cannot explain its origin. Foster's recollection is the same as Anthony's as to what he said and is as you put in your message to me.

I have just been told of the statement on this matter which you have made today. The word came as I was writing this message to you. I am confident that what you have said will indeed ease American minds. Already I think, as a result of what Foster and I have said, there has been a subsiding of Congressional emotion and its action now contemplated does not bear the bellicose note which was originally threatened.

Neither Foster nor I have ever used the "never, never" theme and we can only rejoice if ultimately the rulers of Red China behave as decent civilized persons. Even this, of course, would leave us the problem of loyalty to our friends on Formosa whom we cannot turn over to the untender mercies of their enemies. This, however, is a matter for the future.

Foster tells me that the talks here with reference to SEATO are going forward in good spirit and at good speed. [4] I earnestly hope that we shall quickly create something to stop the onrush of communism in Southeast Asia. The French position is crumbling alarmingly.

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[3] For documentation on the Four-Power Conference held at Berlin, Jan. 25–Feb. 18, 1954, see vol. VII, Part 1, pp. 601 ff.

[4] For documentation on the work of the U.S.-U.K. Study Group on Southeast Asia, see vol. XII, Part 1, pp. 600 ff.

I am talking now with Foster about whether we should participate in the Geneva Conference. We have agreed that he should offer to meet with Anthony and Mendes-France in Paris tomorrow evening if they desire, with a view to seeing whether in fact we can create a "united front". Our great concern is to avoid getting into a position at Geneva where we should be forced to disassociate ourselves publicly and on the basis of principle from a settlement which the French feel they had to take. This would, I feel, do much more lasting harm to Western relations than if we did not appear at a high level at Geneva.

I am glad to see that you have resumed talks with the Egyptians. It would indeed be happy if this friction could be settled and your forces in the Suez made available as a more flexible reserve.

I feel confident that in these and other ways the value of our visit together will progressively manifest itself. The memories of it remain fresh and pleasant in my mind.

With warm personal regard,

As ever,

IKE

No. 448

Eisenhower Library, Eisenhower papers, Whitman file

President Eisenhower to Prime Minister Churchill [1]

TOP SECRET EYES ONLY WASHINGTON, July 22, 1954.

DEAR WINSTON: I have been thinking over some of the conversations we had during your recent visit, particularly those dealing with our joint pronouncement on the principles and purposes which will guide our international behavior. [2] I have in mind also your confidential statement that within a reasonable time you want to shift the responsibility of the Premiership to other shoulders—one reason being that you wish to give to your successor a chance to establish himself politically before the next elections.

Considering these two matters together, I am certain that you must have a very deep and understandable desire to do something special and additional in your remaining period of active service that will be forever recognized as a milestone in the world's tortuous progress toward a just and lasting peace. Nothing else could provide such a fitting climax to your long and brilliant service to your sovereign, your country and the world.

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[1] The source text was attached to a note from Admiral Radford, dated Nov. 23, 1954, in which he stated that the President's message went to the heart of the matter and hoped that the President's suggestion would not be turned down. The source text was also initialed by the President.

[2] For documentation on Churchill's visit to Washington, June 25–29, see Documents 454 ff.

I am sure that some such thought of your conscious or subconscious mind must be responsible for your desire to meet Malenkov and to explore, so far as is possible, the purposes of his heart and the designs of his brain.

As you know, while I have not been able to bring myself to believe wholeheartedly in the venture, I most earnestly pray that you may develop something good out of what seems to me the bleakest of prospects. This I say not primarily because of my deep affection and respect for an old and valued friend and the satisfaction I would take in such a personal triumph of yours, but because the world so desperately needs to be strengthened in hope and faith and confidence that anyone who would not pray for the success of your venture would indeed be wicked.

Having said this, I must also say that because of my utter lack of confidence in the reliability and integrity of the men in the Kremlin and my feeling that you may be disappointed in your present hopes, my mind has been turning toward an exploration of other possibilities by which you could still give to the world something inspiring before you lay down your official responsibilities. It should be something that would so well serve the cause in which we believed that it would indeed be considered one of your finest contributions.

Another factor to be considered is that in far too many areas the Kremlin is pre-empting the right to speak for the small nations of the world. We are falsely pictured as the exploiters of people, the Soviets as their champion.

I suggest to you a thoughtful speech on the subject of the rights to self-government, so vigorously supported in our recent joint communiqué.[3]

At first glance, this seems a thorny nettle to grasp. But I believe that by looking closely we can find that this is not necessarily so.

In our conversations, we agreed that in a number of areas people are not yet ready for self-rule and that any attempt to make them now responsible for their own governing would be to condemn them to lowered standards of life and probably to communistic domination. At the same time, we must never allow the world to believe that we are ready to abandon our stated purposes merely because of this obvious, negative, truth.

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[3] See Document 488.

Colonialism is on the way out as a relationship among peoples. The sole question is one of time and method. I think we should handle it so as to win adherents to Western aims.

We know that there is abroad in the world a fierce and growing spirit of nationalism. Should we try to dam it up completely, it would, like a mighty river, burst through the barriers and could create havoc. But again, like a river, if we are intelligent enough to make constructive use of this force, then the result, far from being disastrous, could redound greatly to our advantage, particularly in our struggle against the Kremlin's power.

To make use of the spirit of nationalism, we must show for it a genuine sympathy; we must prove that the obstacles that now prevent self-government in certain regions genuinely concern the free world and engage our earnest purpose to work for their elimination. This you and I stated in our joint communiqué. But to make it a real and vital thing in the lives of so many peoples throughout the world, we ought, I think, to make the whole matter a subject of more detailed explanation both as to objectives and as to methods for attaining them.

A speech on the matter—and no other could so well do it as you—should deal with the need for education and announce the cooperative purpose of great nations in the Western World to bring educational opportunities to all peoples we are able to reach. The talk would not, of course, ignore the economic requirements of independent existence and would certainly dwell at length upon the advantages of voluntary agreements and associations in order to promote the freest and most fruitful kind of commerce. There would have to be discussed the burdensome responsibilities of self-rule; internal and external security; proper systems for the administration of justice; the promotion of health and the general welfare.

Finally, it seems to me that such a talk should announce a specific hope or aim in terms of the time limit for the attainment of announced objectives. Possibly it might be said that our two nations plan to undertake every kind of applicable program to insure that within a space of twenty-five years (or by some other agreed upon, definite date), all peoples will have achieved the necessary political, cultural and economic standards to permit the attainment of their goals.

If you could then say that twenty-five years from now, every last one of the colonies (excepting military bases) should have been *offered a right to self-government and determination*, you would electrify the world. More than this, you could be certain that not a single one of them would, when the time came, take advantage of the offer of independence. Each would cling more tightly to the mother country and be a more valuable part thereof.

Equally important with this particular announcement would be the outline of the program we propose jointly to undertake to help these nations achieve this level of progress.

The kind of talk that I am thinking of would seek to put this whole matter in such a light as to gain us friends—to be positive rather than negative. The attitude should be that we recognize great difficulties, some of which will take time to overcome, but that we know the job can be done.

Of course, in developing such a subject, one would want to contrast, if only by passing reference, this great purpose and development with the practice of the communists in Eastern Europe and wherever their evil power reaches. A good bit of cold war campaigning could be carried on in such a talk without ever making that particular objective an obvious one. For the same reason, reference could be made again to the plan for making nuclear science serve the peaceful interests of all nations, particularly in those areas where people are starved for adequate power.

I long to find a theme which is dynamic and gripping, and which our two countries can espouse together. In this way, we can exercise the world leadership to which the communists aspire. Also by working together for concrete constructive goals, we can cement our relationship in a way which is only possible if there is fellowship in deeds. We found that fellowship in war, and we must equally try to find it in peace.

The theme I outline seems to me to be the one which best fills the need. It is, however, not a theme which the United States can develop alone without *seeming* to put the United States into opposition to Britain, which is the very result we do not want. Therefore, I bespeak your cooperation and indeed your initiative in opening what could be a great new chapter in history.

It seems to me that to say anything more in this letter would merely be repetitive or redundant. I am sending this through the mails rather than by cable because I want no other to see it except you and me.

With warm personal regard,

As ever

IKE

No. 449

741.13/7-2854

Memorandum by the Under Secretary of State (Smith) to the Secretary of State [1]

TOP SECRET [WASHINGTON,] July 26, 1954.

Subject: Report of Conversation with Prime Minister Churchill, Thursday, July 22, 1954.

I stopped in London for dinner with the Prime Minister at the private suggestion of Mr. Eden, who is gravely concerned regarding the "solitary pilgrimage". . .

I met the Prime Minister and Lady Churchill at Number 10 Downing Street, at 7:45 p.m. Mr. Eden and Ambassador Aldrich, with their wives, were also present. The Prime Minister and I talked privately before dinner. After some personal exchange, I asked him again what he expected to accomplish by talking with Malenkov at this time, and he again said that he hoped at least to get an Austrian Treaty. He repeated his theme of the importance of a final try for peaceful co-existence. He then added that "these people" must be convinced that while *we* could not make a surprise attack on them, and they could, and would, make a surprise attack on us, it was inevitable that "even though they should slaughter ten million of us in Britain and the United States, they could not prevent the devastating counterstroke." He went on to say that this meant that we must have "many bases, more and more of them—some camouflaged and concealed—all over the world", and that we must reduce the size of "these frightful things" so that they can be carried on smaller planes which can take off from any airfield or from any of our carriers.

I said I thought he was making a mistake to seek so urgently an interview with Malenkov, citing my own views and those of others that Malenkov was not actually filling Stalin's shoes. I said it seemed to me that the Russians were trying to get along without a supreme "boss" and that actually Molotov was possibly more important at the moment than Malenkov. I told him the story of Molotov's toast at our first dinner, when he had mentioned "the Chiefs of our two States, General Eisenhower, the President of the United States, and Marshal Voroshilov, the President of the Supreme Soviet." [2] I said that this was the first time I had heard the

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[1] The source text was attached to a memorandum from Dulles to President Eisenhower, dated July 28, in which Dulles stated that he understood that the Under Secretary had already briefed the President orally along these lines, but that he might perhaps be interested in a more complete account.

[2] Presumably the reference here is to a dinner during the Geneva Conference.

President of the Supreme Soviet mentioned by name in such a toast, and that it had never been done while Stalin was alive. . . . I asked if the Prime Minister would go to Moscow in case the Russians declined to meet elsewhere. He said he did not know, that this would have to be thought over, and repeated the importance of making a final try for co-existence.

During this talk and during the dinner which followed, the Prime Minister was quite as usual when discussing events of the war and the individuals with whom he had been associated, but he was unable to realize that I had come from Geneva and not from Washington. Four or five times during the conversation he mentioned the fact that I had "made a very quick trip from Washington", or that it "was very good of me to have come all the way from Washington to have this talk and dinner", etcetera. He mentioned again, as he had stated to me in our final talk when he was in Washington, that he "would like to die in harness, but that Anthony had been his loyal lieutenant, was connected with him by marriage, and was entitled to a long, straight run at the jump"—meaning by this a period of preparation for the next general election. He mentioned again that Harold Macmillan would be Eden's successor as Foreign Minister.

In a brief period before this dinner, Macmillan, Portal, Tedder, and a number of other former senior officers of SHAEF, stopped by Ambassador Aldrich's residence and sent personal messages of greeting and affection to the President. I spoke privately to Macmillan of his probable new assignment, and suggested that as soon as it became effective he should seize the first opportunity to visit the United States.

It is possible that the President might be interested in reading the above.

W.B.S.

No. 450

Eisenhower Library, Eisenhower papers, Whitman file

Prime Minister Churchill to President Eisenhower

PRIVATE AND SECRET LONDON, August 8, 1954.

MY DEAR FRIEND: I have been pondering over your very kind letter of July 22,[1] and I am most grateful to you for this further proof of our friendship. One has to do one's duty as one sees it from day to day and, as you know, the mortal peril which overhangs the human race is never absent from my thoughts. I am not looking about for the means of making a dramatic exit or of finding a suitable Curtain. It is better to take things as they come. I am however convinced that the present method of establishing the relations between the two sides of the world by means of endless discussions between Foreign Offices, will not produce any decisive result. The more the topics of discussion are widened, the more Powers concerned, and the greater the number of officials and authorities of all kinds involved, the less may well be the chance of gaining effective results in time or even of using time to the best advantage.

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[1] Document 448.

I have, as you know, since Stalin's death hoped that there could be a talk between you and me on the one hand, and the new Leaders of Russia, or as they might be, the Leaders of a new Russia, on the other. It will seem astonishing to future generations—such as they may be—that with all that is at stake no attempt was made by personal parley between the Heads of Governments to create a union of consenting minds on broad and simple issues. This should surely be the foundation on which the vast elaborate departmental machinery should come into action, instead of the other way round.

Fancy that you and Malenkov should never have met, or that he should never have been outside Russia, when all the time in both countries appalling preparations are being made for measureless mutual destruction. Even when the power of Britain is so much less than that of the United States, I feel, old age notwithstanding, a responsibility and resolve to use any remaining influence I may have to seek, if not for a solution at any rate for an easement. Even if nothing solid or decisive was gained no harm need be done. Even if realities presented themselves more plainly, that might bring about a renewed effort for Peace. After all, the interest of both sides is Survival and, as an additional attraction, measureless material prosperity of the masses. "No" it is said, "The Heads of Governments must not ever meet. Human affairs are too great for human beings. Only the Departments of State can cope with them, and meanwhile let us drift and have some more experiments and see how things feel in a year or two when they are so much nearer to us in annihilating power."

Now, I believe, is the moment for parley at the summit. All the world desires it. In two or three years a different mood may rule either with those who have their hands upon the levers or upon the multitude whose votes they require.

Forgive me bothering you like this, but I am trying to explain to you my resolve to do my best to take any small practical step in my power to bring about a sensible and serious contact.

I read with great interest all that you have written me about what is called Colonialism, namely: bringing forward backward races and opening up the jungles. I was brought up to feel proud of much that we had done. Certainly in India, with all its history, religion and ancient forms of despotic rule, Britain has a story to tell which will look quite well against the background of the coming hundred years.

As a matter of fact the sentiments and ideas which your letter expresses are in full accord with the policy now being pursued in all the Colonies of the British Empire. In this I must admit I am a laggard. I am a bit sceptical about universal suffrage for the Hottentots even if refined by proportional representation. The British and American Democracies were slowly and painfully forged and even they are not perfect yet. I shall certainly have to choose another topic for my swan song: I think I will stick to the old one "The Unity of the English-speaking peoples". With that all will work out well.

Enclosed with this private letter I send you the telegrams I have interchanged with Molotov since I sent you my last on the subject. I told the Bedell to tell you that I was "an obstinate pig". [2] Alas, the best I can do. [3]

Please believe me always your sincere friend,

WINSTON S. CHURCHILL

Enclosure 1

Prime Minister Churchill to Foreign Minister Molotov

TOP SECRET AND PRIVATE [LONDON, July 27, 1954.]

I am sorry not to have been able to reply before now to your prompt and agreeable message of July 5, [4] but I am sure that from your talks with Mr. Eden you will have realised that I had to wait until the end of the Geneva Conference. I am glad that an Agreement has been reached there and hope that it will not be disturbed.

After discussion with my colleagues I was about to send you a further message to suggest a meeting say at the end of August or in the first half of September at some half-way house such as Berne, Stockholm or Vienna. But in the meanwhile your Note of July 24 in reply to ours of May 7 has been published.[5] This of course does not fit in with the plan I had in mind. My aim and hope was to bring about an informal Two-Power Talk between the Heads of our two Governments, but now after the Geneva Conference ended you have decided to propose a formal Conference of European States and of the United States to discuss again the proposals made some months ago by the Soviet Government on collective security in Europe, which I presume the Heads of Governments would not be expected to attend.

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[2] For a record of Under Secretary Smith's conversation with the Prime Minister on July 22, see the memorandum by Smith, *supra*.

[3] On Aug. 12 President Eisenhower, replying through the Embassy in London, answered that he had received this message from Churchill and that he would keep reading it until he had absorbed it thoroughly. (Telegram 875 to London, Aug. 12; 711.11 EI/8-1254)

[4] Quoted in Document 443.

This has obviously superseded for the time being the small informal meeting I had suggested which might perhaps have been the prelude to a Three- or Four-Power Meeting on the top level.

Enclosure 2

Foreign Minister Molotov to Prime Minister Churchill

[Moscow, July 31, 1954.]

I have received your letter of the 27th of July.[6]

In your letter you write that our proposal, in the Note of July 24, to summon an all-European conference on the question of collective security in Europe has obviously replaced for some time the meeting of the Heads of our States proposed by you.

I must state, that we do not see the reasons for considering that the proposal for an unofficial meeting proposed in your letter of the 4th of July,[7] a meeting furthermore without any kind of agenda, is necessarily dependent upon (has any bearing on) the question of the convocation in the course of the ensuing months of a conference concerned with the guaranteeing of security in Europe.

Enclosure 3

Prime Minister Churchill to Foreign Minister Molotov

[London, August 1954.]

Thank you for your letter of the 31st of July.[8] It was not my intention to convey that I had changed in any way from my original project. But your unexpected revival of your Berlin proposal created a new situation since it would not have been possible to have a large formal international conference going on at the same time as the unofficial Two-Power top level meeting which I proposed and which I feel you think might do good.

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[5] Regarding the tripartite note of May 7 and the Soviet reply of July 24 concerning European security, see the editorial note, vol. VII, Part 1, p. 1232.

[6] Enclosure 1 above.

[7] Summarized in Document 443.

[8] Enclosure 2 above.

The British, American and French Governments whom you addressed officially are now preparing their replies. Although Ministers in this and other countries are liable to be dispersed at this season of the year, I think it likely that an answer will be sent to your Diplomatic Note from the three Governments concerned in the course of this month. Let us therefore wait until we know what is going to happen about this and then re-examine my project in the light of events.

No. 451

741.13/8–1054: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State

TOP SECRET LONDON, August 10, 1954—2 p. m.

709. Limit distribution. I have had conversations in last few days with Salisbury, Heald, Kirkpatrick and Lloyd ending with a long talk with Macmillan yesterday afternoon which lead me to following conclusions regarding Churchill's plans for retirement and general situation in Cabinets.

Cabinet greatly disturbed by continued preoccupation of Churchill with top-level meeting with Russia which amounts almost to an obsession. Article *Time* magazine August 9 very accurate as to what happened in Cabinet discussions regarding such a meeting. Churchill does not believe Russians appreciate what would happen to them in case of war and he has overwhelming desire to crown his career by persuading Russians to do certain things, such as signing Austrian peace treaty and consenting to free elections in Germany, which would lead to relaxation of existing tensions. Situation in Cabinet extremely delicate because, although many members are opposed to further conferences with Russians at this time, Churchill holds, as Macmillan said to me yesterday, "every card in his hands" and he has apparently actually threatened to form a coalition government with the opposition for the purpose of insuring peace if his present colleagues should be unwilling to support him in what he should consider necessary steps. There is little doubt the opposition would join such a government because of existing fears in Britain of result to this country of atomic warfare. Churchill himself would be unwilling to go to Russia and Cabinet generally believes there is no chance Russians agreeing to meet outside of Russia. Moreover, as Selwyn Lloyd expressed it to me, Russians in their last two notes have played the game of "those of us in the government who are opposed to any conference at top level such as desired by Prime Minister," but danger to lonely pilgrimage would arise again if Russians should agree to meet outside of Russia. [1]

Churchill assured Eden several months ago that he would not make any changes in the Cabinet until he himself retired. He has evidently forgotten this commitment and although retirement of Lyttleton was necessary because business appointment he wished to accept could no longer be held open and Dugdale was forced to retire because of Crichel Down, it was not necessary to make the other appointments of Boyd-Carpenter as Minister of Transport and Civil Aviation, Low, Minister of State Board of Trade, and Brook as Financial Secretary to the Treasury in July. This source of additional unrest regarding Churchill in Cabinet.

Kirkpatrick told me yesterday that in his opinion Churchill would probably not retire until after the general election in the fall of 1955 that he would state in September, that he had decided to remain in office until his birthday and on his birthday he would say that he had decided to stay until the end of the year and that after the first of the year he would announce that too little time remained before a general election for him to retire but that he would not remain as Prime Minister after the general election. Macmillan tells me that when Churchill is feeling ill he decides he must retire and as soon as he feels well again he changes his mind.

Churchill presently acting Foreign Secretary staying at Chartwell and is apparently in good health and I am hoping to see him next Monday before I leave on vacation.

ALDRICH

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[1] It is not clear whether Lloyd is referring to Molotov's two notes in July (see Document 443 and enclosure 2, *supra*) or to the Soviet notes, Mar. 31 and July 24, concerning European security (see the editorial note, vol. VII, Part 1, p. 1232).

No. 452

Eisenhower Library, Eisenhower papers, Whitman file

Prime Minister Churchill to President Eisenhower

TOP SECRET
PERSONAL AND PRIVATE

LONDON, 7 December 1954.

MY DEAR FRIEND: I am so sorry that the pressure upon me of events both large and small has been so unceasing that I have not replied other than by telegrams to your last three most kind letters, including the two about my birthday.[1] I am so grateful to you for all that you wrote. Our comradeship and friendship were forged under hard conditions, and stood the test of war and aftermath. They always remain for me a possession of inestimable value. Thank you so much.

About the present and future. I think our two countries are working together even more closely than I can ever remember. They certainly need to do so. I greatly admired your speech on Thursday last about China in the teeth of the brutal maltreatment of your airmen. [2] In my view China is not important enough to be a cause of major hazards. More people over here exaggerate the power and importance of China as a military factor, and talk about six hundred million Chinese who, we are told, have all become Communists.

I am old-fashioned enough to look to Steel as a rather decisive index of conventional military power, and of manufacturing and communication capacity. Crude steel output in 1953 of the non-Soviet world was 182.2 million tons, and that of the total Soviet bloc 51.7 million tons. Of this China contributed 1.7 million tons. I have had a number of other principal metals examined from this viewpoint and enclose a list, (A).

These figures seem to me to deserve taking into account when thinking about the power to conduct modern war of the six hundred million Chinese now said to exist. It may be a different picture in a decade. When I was young I used to hear much talk about "the Yellow Peril".

I am thinking of course only on a "conventional" basis. But you have no reason to be worried about the nuclear balance. It is Soviet Rusia that ought to dominate our minds. That is one of the reasons for my pleasure at your speech and the profound sense of proportion which it revealed.

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[1] Copies of the two birthday greetings, sent on Nov. 8 and 29, are in Presidential Correspondence, lot 66 D 204, "Eisenhower Correspondence with Churchill"; the third letter has not been identified further.

[2] For the text of President Eisenhower's remarks about the treatment of U.S. airmen imprisoned in China, made at his press conference, Dec. 2, see *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1954*, pp. 1074 ff.

I still hope we may reach a top level meeting with the new regime in Russia and that you and I may both be present. We can only contemplate this on the basis of the London Agreement and a united NATO. [3] In spite of the tyrannical weakness of the French Chamber I still hope for ratification by all Powers in the first few months of the New Year. It is in the hope of helping forward such a meeting that I am remaining in harness longer than I wished or planned. I hope you will continue to look to it as a goal in seeking which we could not lose anything and might gain an easier and safer co-existence—which is a lot. When I had my last Audience with The Queen she spoke of the pleasure with which she would welcome a State visit by you to London. This might be combined in any way convenient with a top level meeting. Anyhow, please keep it high in your mind among your many cares and hopes.

With kindest regards to you and Mrs. Eisenhower,

Believe me,

Yours sincerely,

WINSTON

Attachment A

Paper Prepared by Prime Minister Churchill

LONDON, undated.

Manganese Ore—	*China* 82,000 tons
	Non-Soviet World 5,772,000 tons
Chrome Ore—	*China* Nil
	Non-Soviet World 3,036,000 tons
Tungsten Concentrates—	*China* 21,000 tons
	Non-Soviet World 48,393 tons (this seems to be their only strong point)
Nickel—	*China* Nil
	Non-Soviet World 160,697 tons

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[3] For documentation on the London Nine-Power Conference, Sept. 28–Oct. 3, see vol. v, Part 2, pp. 1294 ff.

Aluminium
(Primary)—*China* 5,000 tons
Non-Soviet World 2,183,000 tons

Copper
(Blister)— *China* 7,000 tons
Non-Soviet World 2,552,000 tons

No. 453

741.13/12-1454

President Eisenhower to Prime Minister Churchill [1]

TOP SECRET WASHINGTON, December 14, 1954.

DEAR WINSTON: You have given a flawless exposition of Red China's relative weakness if we have under consideration only the possibility that she might launch aggressive war against either of our two countries. [2] However, it is clear that our vital interests can be seriously damaged by operations that she is capable of carrying out against weaker areas lying along the boundaries of her territory. We saw what she tried to do in Korea and was foiled only by the intervention of strong allied forces, and we likewise saw what gains she made in the Indo-China region due to the political and military weakness of one of our allies. She can pay any price in manpower, with complete indifference to the amount. Consequently, she is a distinct threat to the peace of the world as long as she may be sufficiently irresponsible to launch an attack against peoples and areas of tremendous importance to us. This imposes on us the burden of supporting native forces in the region and of supplementing these with some of our own units.

Here I shall not outline the importance to the Western world of Japan and the island chain extending on to the southward, as well as the bits of mainland on the Pacific that still remain in the possession of the free world. The moral, political and military consequences that could follow upon the loss of important parts of this great chain are obvious to both of us and to the staffs that work for us in the military, economic and diplomatic fields. So I think it dangerous to dismiss too complacently the risks that the bad faith, bad deportment and greed of Red China pose to our world. Some of our citizens are particularly sensitive to this threat and openly argue that it would be a mistake to allow this threat to endure and extend until the day comes when Red China may actually achieve the capacity to endanger us directly. I know that neither of us is blind to this possibility, even though we consider that such a development is somewhat doubtful and in any event its attainment would involve such a long time that world conditions and balances of power could well have been radically changed in the meantime. But, of course, I agree with you that our attention and watchfulness should be directed mainly to Moscow.

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[1] The source text was attached to a memorandum from Ann Whitman to Under Secretary Smith, dated Dec. 14, which asked that it be dispatched at once and that a copy be transmitted to the British Embassy for forwarding to Eden. The Department of State transmitted the message to London in telegram 3225 at 8:06 p. m. on Dec. 14. (611.41/12-1454)

[2] Under reference is Churchill's message, *supra*.

Incidentally, I was interested in your renewed suggestion of a top-level meeting with the regime in Russia. I have always felt, as you know, that it would be a mistake for you and me to participate in a meeting which was either essentially social or exploratory. A social meeting would merely give a false impression of accord which, in our free countries, would probably make it more difficult to get parliamentary support for needed defense appropriations. Within the captive world it would give the impression that we condone the present state of affairs. And if these are to be exploratory talks, should they not be carried out by our Foreign Ministers, so that Heads of Government would come in only if some really worthwhile agreement is in likely prospect?

The latter, I fear, is not an early possibility. There are still several months to go before we shall know where we are on the London and Paris Accords [3] and all the indications are that if they go through, the Russians will probably "play tough," at least for some little time. Therefore, I do not see the likelihood of our Foreign Ministers usefully meeting for some considerable period. So, I am bound to say that, while I would like to be more optimistic, I cannot see that a top-level meeting is anything which I can inscribe on my schedule for any predictable date. I regret this the more because if a top-level meeting were to take place, and if it led to a personal visit to London, I would indeed be very happy.

I hope you will find some way of letting the Queen know how deeply I appreciate her gracious reference to the possibility of such a visit.

Foster and I have just had luncheon together and now he starts immediately for the NATO meeting. [4] We discussed a number of matters, including a series of urgent requests that in our view practically amount to demands received from Mendès-France. He wants us to make public pronouncements supporting his statements affecting the Saar, Morocco and commitments of American troops to Europe. Important as French cooperation is to the great NATO Plan, Mendès-France seems to forget that the safety, security and welfare of France are far more directly and intimately involved in the projects now under discussion than is the future of this country or of yours. One of the virtues of EDC was that it contained an acceptable solution of the Saar problem and it was French desertion of that plan that insured its defeat.

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[3] For documentation on the London and Paris Nine- and Four-Power Conferences, held Sept. 28–Oct. 3, 1954, see vol. v, Part 2, pp. 1294 ff.

[4] For documentation on the North Atlantic Council meeting at Paris, Dec. 17–18, see vol. v, Part 1, pp. 549 ff.

I see no good reason for this government to re-state its intentions about the stationing of American troops in Europe or take a position as to the Saar arrangement at least until the French Parliament has by some positive action shown itself capable of making decisions in keeping with the responsibilities of a great European power. I have asked Foster to confer with Anthony on these matters. Likewise, I have asked him to avoid any rigid position of refusal in considering the seemingly unreasonable requests of Mendès-France, but I am determined that we shall begin to realize some dividends on the constant pledges and pronouncements that seem to be expected of us.

I like your phrase "tyrannical weakness." It sharply defines the situation.

As you know, I occasionally flatter myself by attempting to paint likenesses of friends. I would be tremendously intrigued by the effort to paint one of you. Would it be an intolerable burden on you to allow an artist friend of mine to visit you long enough to take a few photographs and draw a few hasty color sketches that I could use in such an attempt? The final result would, of course, not be good, but also it might not be so bad as to be unendurable. If you feel this would not make an unjustified demand upon your time, I could send my artist friend over soon after the first of the year. I should think that something about thirty minutes to an hour would be sufficient for what I would need from him.

This is just an idea and I shall not be at all offended by your inability to entertain it.

With warm personal regard,

As ever,

IKE

E. The Churchill-Eisenhower Talks, Washington, June 25-29, 1954

Preparations for the Talks

No. 454

611.41/4-2654

President Eisenhower to Prime Minister Churchill [1]

TOP SECRET WASHINGTON, April 26, 1954.

DEAR WINSTON: Please let me refer again to your suggestion that we have a meeting to talk over things of great significance to our two countries. [2] I am continually impressed by the drastic changes in the world situation that each day seems to bring us in this obviously critical period. Likewise, I am deeply concerned by the seemingly wide differences in the conclusions developed in our respective governments, especially as these conclusions relate to such events as the war in Indochina and to the impending conference at Geneva. [3]

In order that our talks may have the maximum fruitfulness, I think it best to await the return of Foster to Washington before you and I try to work out firm details as to timing and subjects of our conversations. Foster will bring back to me valuable impressions and conclusions that I should study before you and I meet to explore why we seem to reach drastically differing answers to problems involving the same sets of basic facts. Certainly I agree with the thought, implicit in your suggestion, that we must reach a true meeting of minds so that we may work more in concert as we attack the critical questions of the day.

I assure you that I am anxious, as I have always been, to reach a common understanding that will be squarely based upon existing fact and to which both governments can logically adhere to their mutual advantage. [4]

With warm regard,

As ever, IKE

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[1] Transmitted to London in telegram 5653, Apr. 26.

[2] The message under reference has not been further identified. President Eisenhower cabled Secretary Dulles, in Paris for tripartite meetings prior to the Geneva Conference, on Apr. 23 saying that he had received a cable from Churchill asking to visit Washington. For the text of the cable to Dulles, see Tedul 5, Apr. 23, vol. XIII, Part 1, p. 1366. Dulles' reply to the President's cable, transmitted in Dulte 8, Apr. 23, is printed *ibid.*, p. 1374.

[3] For documentation on the Geneva Conference, which began Apr. 26, see volume XVI.

[4] On May 11 President Eisenhower wrote again to Churchill, stating that after consultations with Secretary Dulles he believed that some time in June would be the best opportunity for talks. (Conference files, lot 60 D 627, CF 338)

No. 455

033.4111/5-1054: Telegram

The Ambassador in France (Dillon) to the Department of State

TOP SECRET NIACT PARIS, May 10, 1954—5 p. m.

4292. Eyes only Secretary. Re Deptel 4003. [1] Since fall of Dien Bien Phu all leading Frenchmen with whom I have talked have gone out of way to be extremely critical of British and in particular of Churchill, whom they picture as 1954 version of Chamberlain at Munich. This includes Laniel, Maurice Schumann, Rene Mayer, Mrs. Paternotre, Christaens (Secretary of Air Force), General Fay and others.

French presently feel that there is marked divergence in US and UK policy toward Indochina and that US is endeavoring to persuade British towards concept of united action. The hope that US either will be successful in persuading British or will eventually act without British is a real sustaining force in French governmental circles today.

Churchill and Eden visit would inevitably be looked upon by French as culmination of attempt to reconcile US and British policy in Southeast Asia. As a result French would follow meeting with bated breath to see what progress it made toward laying foundation for "united action." French reaction to meeting would depend entirely on its outcome. If British agreed to proceed with some effective form of united action, French would regard meeting as triumph for US and French points of view and would be most happy about it. If on the other hand, there was no progress toward united action concept and US seemed to accept British point of view, present French inclination to feel that they are being abandoned by their friends in face of the Communist enemy would certainly be strengthened. This would naturally tend to strengthen neutralist thinking here and to weaken forces favoring EDC.

Thus if we cannot move British toward united action, and if we wish to maintain French spirit, it will be most important to clearly indicate that we are not letting British tie our hands. In short I feel French reaction to Churchill visit will depend primarily on results on visit on US policy toward Indochina and secondly on results of visit on UK policy toward Indochina.

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[1] Not printed; it reported that Churchill had suggested a visit to Washington and asked what the French reaction would be to such a visit. (033.4111/5-1054)

DILLON

No. 456

033.4111/5-2454

Prime Minister Churchill to President Eisenhower [1]

TOP SECRET WASHINGTON, May 24, 1954.

MY DEAR FRIEND: I am planning to leave for Washington on the 17th arriving 18th as outlined in our telegrams of May 13 and 15, [2] and shall be at your convenience at the British Embassy for a few days thereafter. I think the announcement might be fitted in with Geneva as soon as possible, perhaps even this week. If you still like the idea, I will suggest the text of the communiqué.

2. The main and obvious topic is interchange of information about atomics, etc., and the progress of your great design to develop its harmless side. Apart from that we will talk over anything that crops up. For instance, I should like to reinforce Malaya, and Egypt is my first reserve. With your support a sound and dignified arrangement should be possible. I sincerely hope you will be able to postpone sending the Egyptians any aid until you and I have had our talks.

3. Anthony would like very much to come as you suggested, though perhaps he could not be there the whole time. I agree with you that it is essential to have him and Foster together and with us.

4. It seems to me that our meetings in the easy informal manner that we both desire may be a help in brushing away this chatter about an Anglo-American rift which can benefit no-one but our common foes. [3]

Every good wish,

WINSTON

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[1] This message was transmitted to London in telegram 6311, May 24, eyes only for the Ambassador.

[2] Neither printed; in the former Prime Minister Churchill suggested that the talks begin on June 18, while in the latter President Eisenhower agreed with that suggestion. (Conference files, lot 60 D 627, CF 338)

[3] In subsequent exchanges of messages it was agreed to postpone the meetings until June 25. Documentation on the exchanges including the texts of the several messages is in file 033.4111.

No. 457

Eisenhower Library, James C. Hagerty papers

Hagerty Diary, Monday, June 14, 1954

[Here follow several other entries for June 14.]

The big important news of the day was, of course, the upcoming visit of Churchill and Eden to Washington on June 25th. There is quite a story that goes with the release which will be announced at 10: 30 A.M. tomorrow Washington time and 3:30 P.M. British time. It is as follows:

Churchill has been pressing for this meeting as he did with Bermuda [1] and as he pressed off and on for a four-power meeting with Malenkov. We are not sure that anything good will come of it but as the President says, "I've decided to let the old man come over for this visit." The decision was as a result of communications between our government and the British over the weekend. [2] It has been agreed by all concerned that at 10:30 tomorrow I shall put out the following statement:

> "Some weeks ago the President of the United States invited the Prime Minister and the Foreign Secretary of the United Kingdom to spend a weekend as his guests in Washington. The invitation was cordially accepted, and it has been arranged for the visit to take place during the weekend of June 25th."

This statement was cleared this morning during a visit by Foster Dulles with the President, and the British were accordingly notified. The Prime Minister will make his announcement in Parliament at 3:30 British time.

Churchill has been really pressing for this meeting, somewhat to the annoyance of the President. Foster Dulles had not planned to have a press conference at his usual 11 o'clock time, but the President urged him to do so in order that the proper note may be sounded from the American side as to the meeting. I talked to Foster later in the day and he told me that the President had urged him to hold the conference and stress the informality of the meeting. This is extremely important since world conditions and world affairs would give this meeting a stronger import than it will actually have. With Geneva folding up, with the French Government collapsing, and with the pre-announced British decision on not making up their minds on any collective action in Indo-China until Geneva is finished, there is every chance that unless carefully guided, this meeting will be another one of those things. Foster and I agreed that in addition to the two sentences which I would officially release, it would be an excellent idea if I were to say this is a visit between two old friends, that it is informal, that of course, many subjects will come up for discussion but that there is no set agenda. I checked this with the President at 6 o'clock, and he agreed that that was exactly the right approach to take—"Winston really wants this conference although I don't know how much good will come of it, but I decided to go along with him once again and play it more or less by ear."

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[1] For documentation on the Bermuda Conference, Dec. 5–8, 1953, see vol. v, Part 2, pp. 1710 ff.

[2] On June 10 President Eisenhower requested a postponement for one week of the proposed visit. On the following day Churchill agreed to postpone his arrival until June 25. Copies of these messages, transmitted to London in telegrams 6715 and 6736, June 10 and 11, are in file 033.4111/6–1054.

The British interest in how we would announce this was typified by a call I got early in the afternoon from Nigel Gaydon of the British Embassy. He wanted to know if the release time had been agreed on. I told him I would call him back, and after talking with the President, I did so. I told him I would stress the informality of the meeting. He agreed completely with this—so quickly that I am sure that that is the way the British want it played, too. He obviously was calling to sound me out. In my discussion with the President he told me of his private conversations with Dulles and said that he expected that at his press conference on Wednesday he would further stress the informality of the visit.

As I was discussing the Churchill visit with the President in his office at six o'clock a very amusing incident happened. His glass porch door was closed and a squirrel on the outside kept jumping up and hitting the glass. The President and I watched it for a few minutes. Then he laughed and said, "That just proves what I've been saying around here. This is a nuthouse—Oh well, that squirrel has a lot more sense than some of the visitors I have had lately."

No. 458

033.4111/6-1854: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State

CONFIDENTIAL
PRIORITY

LONDON, June 18, 1954—8 p. m.

5841. Subject is Churchill visit.

1. Following paragraphs contain embassy observations on general factors affecting Churchill visit to Washington on June 25 and some indication of thoughts which have been uppermost in his

mind during recent months. Embtel 5842 June 18 [1] deals with particular topics he and Eden are most likely to bring up during White House meeting.

2. Prime Minister's health. Prime Minister is weaker physically than at Bermuda Conference. He has good and bad days but former are becoming rarer and not infrequently he finds difficulty forcing himself to concentrate for more than a few hours on end.

3. Public reaction to visit. Initial reaction to announcement of visit indicates Churchill and Eden carry to Washington profound hope of British people that progress will be made towards (1) restoration of harmony in US–UK relations, through such measures as improvements of joint consultation on atomic and other questions of common concern. (2) Relaxation of tension between east and west, possibly through new high-level approach to Soviets for settlement of outstanding issues. (3) Agreement on general lines of Far East policy which will halt further Communist aggression, avoid extension of fighting and will be acceptable to Asian commonwealth members.

4. Prime Minister's views on big 3 meeting. Prime Minister's speeches before Primrose League April 30 (Embdesp 3661 May 17 [2]) and English-Speaking Union on June 8 show that he still cherishes hope that west can reach overall settlement with USSR. He stated in latter speech as reported in press "nothing that has happened in the past 12 months has made me alter my view that peace through strength must be our guiding star. It is the duty and also the interest of the Communist and free world that they should live in peace together, and strive untiringly to remove or outlive their differences." Though he has given no recent indication that he believes time for big three heads of state conference is near, in spite of labor pressure to move ahead on it, we should be prepared for his raising this topic.

5. Sentiment for peace. Also Prime Minister still smarts under "warmonger" charges made by Labor during 1951 election campaign and is at great pains to disprove them at every opportunity. Profound desire to avoid general war exists widely in country and many Conservatives beside Churchill consider it politically essential for government to avoid (1) provocative acts vis-à-vis USSR or China; (2) involvement in fighting local actions in way which could lead to general war; and (3) support of other nations' policies which appear to fall in categories (1) and (2) above. On positive side, dra-

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[1] Not printed; it stated that the British would be likely to raise the following four topics: (1) atomic developments and strategy, (2) the Far East in general and Southeast Asia in particular, (3) Egypt, and (4) the EDC and its relation to France and Germany. (033.4111/6–1854)

[2] Not printed. (641.00/5–754)

matic moves for reconciliation with Communist bloc, even without reasonable expectations for success, are popular, and approach of a 1955 general election may increase their attraction. Recognition of effects hydrogen bomb would have on UK heightens desire to avoid acts possibly leading to war and may narrow scope of UK interests abroad which are considered vital. While British not willing to "appease" Communist powers, they may accept more limited definition of that word than US.

6. Commonwealth. As UK itself becomes relatively less powerful in world scene it looks even more to Commonwealth and empire to supplement its strength and prestige. Consequently British increasingly anxious to hold commonwealth and remaining possessions together. There remains undercurrent of resentment, particularly on part of Prime Minister, over UK exclusion from ANZUS Pact. In this sense it is likely that question of UK association with ANZUS may be raised in connection with problem of relationship certain Asian security pacts already in being with future SEA collective security arrangement.

ALDRICH

No. 459

033.4111/6-2154: Telegram

The Ambassador in the United Kingdom (Aldrich) to the Department of State

TOP SECRET LONDON, June 21, 1954—7 p. m.

5883. I had half hour talk with Eden at House of Commons before signing of notes covering US cemetery at Cambridge. I told him US Government had not given up hope of ratification of EDC and that we were very anxious that nothing should be said by anyone to indicate abandonment of treaty. He said he understood this and believed strongly that EDC was best possible solution of German rearmament question but that he could not say that he felt very optimistic. He had seen Mendes-France in Paris and said that Mendes-France had stated he would bring matter up for decision before adjournment of French Parliament, but Eden said that General Koenig, new French Minister of Defense, was bitter opponent of EDC and he, Eden, did not think treaty would be ratified without reservations which would be unacceptable to Adenauer.

We then ran through informally various questions which might come up in Washington and he made following comments:

Egypt—A plan had been developed by British Chiefs of Staff and Foreign Office in his absence which, he believes, will be satisfactory to Egyptians and which involves maintainance of canal base by private British contractor, but does not necessarily require American participation. British may advise Egyptians that they wish to reopen base negotiations before Washington conference takes place so as to avoid implication that reopening of negotiations result US pressure in Washington.

Iran—Eden expressed himself as optimistic of favorable result on basis of the arrangements recently concluded in London. [1]

Saudi Arabia—Eden referred to the recent British proposal for arbitration [2] and in the course of our talk assured me categorically the British would not let us down by making a deal with the Saudi Arabians to the detriment of Aramco.

Southeast Asia—On Southeast Asia, Eden stated that he did not believe that there had been any real disagreement between the US and UK except on question of timing of negotiations to create a defense arrangement in Southeast Asia and that he felt sure that talks which are about to begin in Washington would result in a removal of any past misunderstanding. He believed that Burma and India had recently moved much closer to participation. He said that he found manner of dealing with Pakistan rather delicate because of necessity of bringing them in in such a way as not to disturb attitude of India. He seemed to feel that Indonesia was most unlikely of all concerned states to be willing to cooperate.

He expressed great appreciation of the close and happy relations which had existed between Under Secretary Smith and himself during Geneva Conference. [3]

It may be of interest to note that Eden said he had been more impressed by Chou En-lai than by Molotov at Geneva. Former was a Manchu and a well-educated man whose house was filled with beautiful Chinese porcelains and who gave impression of culture and refinement as well as intelligence. At his first two interviews, Chou had been very stiff and uncompromising but as conference went on he became more easy to talk with and more apparently desirous of reaching solution of such questions as method of dealing with Cambodia and Laos.

Trieste—He expressed great hope with regard to result of present negotiations and satisfaction of manner in which they had been handled.

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[1] Documentation on the negotiations in London leading to the settlement of the Anglo-Iranian oil controversy is scheduled for publication in volume x.

[2] For documentation on the British proposal to arbitrate the Buraimi boundary dispute, see vol. ix, Part 2, pp. 2458 ff.

[3] For Smith's version of his relations with Eden at Geneva, see Document 441.

Eden left me with general impression of being in very good health and looking forward greatly to Washington conference with hope and expectation that it will greatly strengthen relations between US and UK.

ALDRICH

No. 460

Conference files, lot 60 D 627, CF 338

Prime Minister Churchill to President Eisenhower [1]

TOP SECRET [LONDON, June 21, 1954?]

MY DEAR FRIEND: I have always thought that if the French meant to fight for their Empire in Indo-China instead of clearing out as we did of our far greater inheritance in India, they should at least have introduced two years' service which would have made it possible for them to use the military power of their nation. They did not do this but fought on for eight years with untrustworthy local troops, with French cadre elements important to the structure of their home army and with the Foreign Legion, a very large proportion of whom were Germans. The result has thus been inevitable and personally I think Mendes-France, whom I do not know, has made up his mind to clear out on the best terms available. If that is so, I think he is right.

I have thought continually about what we ought to do in the circumstances. Here it is. There is all the more need to discuss ways and means of establishing a firm front against Communism in the Pacific sphere. We should certainly have a S.E.A.T.O., corresponding to N.A.T.O. in the Atlantic and European sphere. In this it is important to have the support of the Asian countries. This raises the question of timing in relation to Geneva.

In no foreseeable circumstances, except possibly a local rescue, could British troops be used in Indo-China, and if we were asked our opinion we should advise against United States local intervention except for rescue.

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[1] This message is a response to one from President Eisenhower, dated June 18, which reads:

"Dear Winston: Do you interpret the elevation of Mendès-France and the pledges he has made as evidence of a readiness on his part to surrender completely in Southeast Asia? If this is so, can you give me some idea of your solution to the resulting problems? If you have formulated any thoughts on these delicate matters, I should like to have them so that I can give them some contemplation before we meet.

"I understand that you and Anthony reach here about 10 a. m. on Friday. This will be spendid, as both Foster and I are looking forward eagerly to our talks.

"With warm regards,

"As ever, Ike" (033.4111/6-1854)

The S.E.A.T.O. front should be considered as a whole, and also in relation to our world front against Communist aggression. As the sectors of the S.E.A.T.O. front are so widely divided and different in conditions, it is better, so far as possible, to operate nationally. We garrison Hong Kong and the British Commonwealth contributes a division to Korea. But our main sector must be Malaya. Here we have twenty-three battalions formed into five brigades. You are no doubt aware of the operation contemplated in the event of a Communist invasion from Siam. I will bring detailed plan with me. Alex, [2] who I understand is coming over in July, will discuss it with your Generals. The question is whence are we to draw reinforcements. There are none at home; our last regular reserves are deployed. It would be a pity to take troops from Germany. On the other hand we have what are called 80,000 men in the Egyptian Canal zone, which means 40,000 well-mounted fighting troops. Here is the obvious reserve.

Now is the time the Middle East front should be considered together by the United States and Britain. I had hoped more than a year ago that the United States would act jointly with us in negotiating an agreement with the Egyptian military dictatorship in accordance with the terms already agreed between the British and American staffs. It was, however, felt at Washington that America could not go unless invited. The negotiations therefore broke down. Since then there has been a deadlock though the area of dispute is limited.

As time has passed, the strategic aspect of the Canal Zone and base has been continually and fundamentally altered by thermonuclear developments and by a Tito-Greek-Turco front coming into being and giving its hand to Iraq and by America carrying N.A.T.O.'s fingertips to Pakistan. I like all this improvement in which you and the power and resources of the United States have played so vital a part.

These events greatly diminish the strategic importance of the Canal Zone and base, and what is left of it no longer justifies the expense and diversion of our troops, discharging since the war, not British but international purposes. As far as Egypt is concerned, we shall not ask you for a dollar or a marine. I am greatly obliged by the way you have so far withheld arms and money from the Egyptian dictatorship.

The general theme of completing and perfecting in a coherent structure the world front against Communist aggression, which I suppose might in current practice be described as N.A.T.O., M.E.A.T.O. and S.E.A.T.O., is of course one, but only one of the topics I am looking forward to talking over with you.

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[2] Field Marshal Alexander of Tunis, British Minister of Defense.

The other two have long been in my mind. One is the better sharing of information and also perhaps of resources in the thermo-nuclear sphere. I am sure you will not overlook the fact that by the Anglo-American base in East Anglia we have made ourselves for the next year or two the nearest and perhaps the only bull's eye of the target. And finally I seek as you know to convince Russia that there is a thoroughly friendly and easy way out for her in which all her hard-driven peoples may gain a broader, fuller and happier life.

You know my views, already publicly expressed in October 1953, about Germany.[3] If E.D.C. fails, we ought to get her into N.A.T.O. or a revised form of N.A.T.O. under the best terms possible.

I would not have tried to put all this on paper but for your direct request. So if there is anything in it which you do not like, let it wait till we are together for our weekend meeting, to which I am so keenly looking forward.

With kindest regards,

WINSTON

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[3] On Oct. 10 Churchill, in addressing the annual conference of the Conservative Party, stated that in default of French ratification of the EDC the British Government would have no choice but to support German membership in NATO as a means of adding German strength to the Western alliance.

No. 461

Conference files, lot 60 D 627, CF 339

Memorandum of Conversation, by the Counselor of the Department of State (MacArthur)[1]

TOP SECRET WASHINGTON, June 23, 1954.

At a meeting at the White House this morning between the President and the Secretary, the following arrangements relating to the Churchill visit were agreed:

[Here follow parts 1 and 2 in which MacArthur recorded the discussion of plans to meet Prime Minister Churchill, the press, a communiqué for the meetings, contacts with Congress, possible invitations to the Foreign Ministers of Australia and Pakistan, and the organization and schedule for the sessions.]

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[1] Press Secretary Hagerty's record of this meeting is in the James C. Hagerty papers at the Eisenhower Library. It is the same in substance as MacArthur's and indicated that Under Secretary Smith, Merchant, and Bowie were also present.

3. Substantive briefing

A. *EDC.* The Secretary outlined to the President fears and apprehensions among EDC proponents in France and elsewhere in Europe over the present UK position to the effect that EDC is probably dead and that full membership in NATO for Germany is the alternative. The President noted that while Churchill had paid lip-service to EDC at varying times, he had never been really for it. The President indicated that he would assume the offensive with Churchill on EDC and would press him very hard to support it fully.

B. *Near East*

i. *Egypt.* The Secretary outlined the situation with respect to Egypt along the lines of the position paper. [2]

ii. *Iran and Saudi Arabia.* The Secretary mentioned very briefly the situation in these two countries and indicated that it would probably be best for him, the Secretary, and Mr. Eden to have a thorough go-round on these two problems, which involved fairly detailed matters, before the President and Churchill got into them.

iii. *Cyprus.* The Secretary indicated that the British would probably ask us to support them with respect to Cyprus. The President indicated general familiarity with this question. He pointed out that if Cyprus were returned to Greece, the Turks would probably raise questions and vice versa, and that a maintenace of the *status quo* was probably the best solution at this time.

C. *Withdrawal of UK forces from Korea.*

General Smith indicated that Eden had told him at Geneva that Churchill might, during the Washington visit, raise the question of withdrawal of UK forces from Korea. While it was recognized that if the British wished to withdraw these forces to put them in Malaya or elsewhere, we had no very good argument to oppose such a move, since we ourselves are redeploying forces from Korea. The President indicated that he would rather have them continue their present divisional setup in Korea, withdrawing a brigade group from the divisions.

D. *East-West Trade*

The Secretary mentioned that Churchill might well raise the question of East-West trade. The President indicated that if this question came up, he would listen to Churchill's presentation but he would not get involved in detailed discussions. He indicated some sympathy for the position the UK has taken with respect to East-West trade.

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[2] Under reference here is CEV D-7/1, June 18, a one-page briefing paper that explained the current British and American positions on Egypt, stating that the United States welcomed the British decision to present new proposals on Suez. (Conference files, lot 60 D 627, CF 339) See telegram 1602 to Cairo, June 28, vol. IX, Part 2, p. 2277.

E. *Establishment of US–UK private group* to examine US and UK policy with respect to: (i) Far East; and (ii) Middle East and Africa.

The Secretary said that the problem of reconciling US and UK policies in various parts of the world was extremely difficult and that he had thought of the desirability of having a very small US-UK group of qualified private individuals making a study of from four to six months with respect to the Far East, and a separate group perhaps with respect to the Middle East and Africa, to see if they could come up with recommendations on a common policy. The President said he thought this was a good idea, and after some discussion he said he would propose to Churchill the establishment of such a Far Eastern group and Middle East-Africa group.[3]

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[3] On June 24 a similar meeting, attended by President Eisenhower, Secretary Dulles, Under Secretary Smith, Hagerty, Robertson, MacArthur, Bowie, and Merchant, was held at the White House at 2:30 p. m. According to the records of the meeting by Merchant and Hagerty the same topics were discussed in addition to Guatemala, atomic matters, and an invitation to Australian Prime Minister Menzies to visit Washington. Merchant's record of the meeting is in CFM files, lot M 88, box 169; Hagerty's record is in his diary in the James C. Hagerty papers at the Eisenhower Library.

No. 462

611.41/6-2454

Memorandum by the Director of the Office of British Commonwealth and Northern European Affairs (Raynor) to the Assistant Secretary of State for European Affairs (Merchant)[1]

TOP SECRET WASHINGTON, June 24, 1954.

Subject: Background on UK Talks

Ambassador Aldrich holds the following views which I am summarizing for you and sending copies which you may want to give to others as he may not have had the opportunity to mention these generally:

1) He is convinced that the Locarno idea and doubtless other troublesome matters originate with Churchill and not with Eden.

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[1] The source text bears the handwritten notation by Merchant: "This is very helpful—was discussed with the Secy. LTM"

2) He believes Eden is O.K. and that if he were on his own we would have much less difficulty.

3) He thinks we should take advantage extremely carefully of opportunities, if they present themselves during the talks, to support reasonable positions Eden may assume contrary to more extreme positions which Churchill may take.

4) Real danger in the situation lies with Churchill and his repetition of old ideas which don't have the support of Eden or basically of the Cabinet.

5) Ambassador Aldrich is convinced that the Cabinet doesn't fully support Churchill's extreme views.

6) However, there are forces at work (Beaverbrook in particular) trying to convince Churchill that Butler rather than Eden should be the successor. Under the circumstances Eden has to buckle under to Churchill's views.

7) Finally, our attitude in these talks may determine to a considerable extent whether Eden would be forced to continue to buckle under or whether he will emerge in a position which will permit him to take independent positions which Ambassador Aldrich believes would be considerably closer to our own than those of Mr. Churchill on many matters.

No. 463

Editorial Note

In preparation for the Churchill visit the Department of State drafted a series of briefing papers for topics which the British were expected to raise. In accordance with a memorandum dated June 15 (CEV MEMO–2; Conference files, lot 60 D 627, CF 339) these papers were one page in length and presented both the United States and the United Kingdom positions on the problem. The papers were organized into nine sections, CEV D–1 through CEV D–9, dealing respectively with the Soviet Union (D–1), atomic energy matters (D–2), China and Korea (D–3), Southeast and South Asia (D–4), Europe (D–5 and D–6), the Middle East (D–7), Latin America (D–8), and economic questions (D–9). Collections of these papers, none of which is printed, are in Conference files, lot 60 D 627, CF 339, and in CFM files, lot M 88, box 169.

In addition to these records, lot 60 D 627, CFs 336–339, and lot M 88, box 169 contain copies of the correspondence preliminary to the visit, records of the meetings between Eisenhower and Churchill and their advisers, administrative memoranda (CEV MEMOs) and schedules for individual sessions, agreed minutes of the meetings, memoranda of conversations with members of the Washington diplomatic community who sought information on the course of the meetings, and draft communiqués.

The documentation that follows presents records for the meetings and the texts of all the agreed minutes resulting therefrom.

Records of the Meetings and Supplementary Documents

No. 464

CFM files, lot M 88, box 169, "Churchill-Eden Visit"

Memorandum by the Assistant Secretary of State for United Nations Affairs (Key) of a Meeting of Secretary of State Dulles and Foreign Secretary Eden at the Department of State on the Morning of June 25, 1954

CONFIDENTIAL

Subject: Guatemalan Complaint

Participants: The Secretary of State
Mr. Anthony Eden, British Foreign Secretary
Sir Roger Makins, British Ambassador
Mr. Livingston Merchant, Assistant Secretary for European Affairs
Mr. David Key, Assistant Secretary for United Nations Affairs

At a meeting held in the Secretary's office this morning, [1] he outlined to the British Foreign Secretary the United States position with reference to the Guatemalan complaint before the Security Council, calling attention to the importance, from our viewpoint, of having this matter considered on a regional basis in the OAS and not to have it considered at this time in the Security Council. [2]

The Secretary cited to Mr. Eden the pertinent sections of Chapters VII and VIII of the Charter and in particular Article 52(2) which encouraged regional arrangements for the pacific settlement of disputes. The Secretary also pointed out the danger to the inter-American system involved in the present Communist maneuver to attempt to by-pass the Inter-American Peace Committee and to try to have the Security Council act on the Guatemalan complaint.

Mr. Eden stated that he shared our views as to the desirability of having the OAS act on the Guatemalan complaint and that likewise he did not wish this matter to be acted upon in the Security Council. However, there was nothing in the Charter which would preclude the laying of a complaint before the Security Council, and he felt that at least a hearing should be given to the plaintiff. For this reason, he could not instruct the British Representative to vote against adoption of the provisional agenda at this afternoon's meeting, but he would instruct him to abstain.

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[1] According to Hagerty's diary, this conversation took place on the drive from the airport to the White House. (Eisenhower Library, James C. Hagerty papers)

[2] For documentation on the Guatemalan complaint before the Organization of American States (OAS) and the U.N. Security Council, see vol. IV, pp. 1027 ff.

No. 465

Editorial Note

According to Hagerty's diary President Eisenhower and Prime Minister Churchill had a private conversation for three quarters of an hour in the President's office shortly after noon on June 25. No record of this conversation has been found in Department of State files. (Eisenhower Library, James C. Hagerty papers)

No. 466

CFM files, lot M 88, box 169, "Churchill-Eden Visit"

Memorandum of a Meeting of Secretary of State Dulles and Foreign Secretary Eden [1]

TOP SECRET
CEV MC–1

Participants:

United States	*United Kingdom*
The Secretary	Mr. Anthony Eden
Mr. Merchant	Sir Harold Caccia
	Christopher Soames

Subject: Germany and E.D.C.

At noon today while waiting to join the President and Prime Minister, there was a considerable discussion of the problem of Germany. The Secretary and Mr. Eden agreed that their estimates coincided on the importance of taking positive action in support of Adenauer if the French Assembly recessed this summer without ratifying EDC. They were in general agreement that a way should be found to separate the contractuals from the EDC, without prejudice to possible later action by the French Assembly in approving EDC in the fall. This would require some undertaking from Adenauer that Germany would not unilaterally rearm during the period in which the fate of EDC would be settled. The Secretary explained the constitutional requirements with which we were faced in connection with modifying the Bonn Treaty so as to remove the link with the EDC Treaty.[2] Mr. Eden was obviously unaware of this complication but recognized it when it was pointed out. There was agreement that Adenauer should be consulted before any approach to the French.

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[1] Drafted on June 27. According to the notation on the source text this meeting took place at the White House at noon on June 26; however, the schedule of meetings indicates that on June 26 Dulles and Eden were meeting at the Department of State at noon. Presumably then, this meeting took place on June 25, immediately before that described in CEV MC–2, *infra*.

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[2] For the text of the Convention on Relations Between the Three Powers and the Federal Republic of Germany (the Bonn Treaty), signed at Bonn on May 26, 1952, see vol. vii, Part 1, p. 112; for the text of the EDC Treaty, signed at Paris on May 27, 1952, see *Documents* (R.I.I.A.) for 1952, pp. 116–162.

No. 467

CFM files, lot M 88, box 169, "Churchill-Eden Visit"

Memorandum of a Meeting of President Eisenhower and Prime Minister Churchill at The White House, June 25, 1954, 1 p. m.[1]

TOP SECRET
CEV MC–2

Participants:

United States	*United Kingdom*
The President	The Prime Minister
The Secretary	Mr. Anthony Eden
Mr. Merchant	Sir Harold Caccia

Subjects:
1. Guarantees for SEA
2. Agenda and Working Procedures

The above group met for about a half an hour in the President's office before lunch and the conversation continued during lunch until approximately 2:50. For the most part the discussion was general and covered a wide range of topics without effort on the part of anyone to reach decisions or discuss serious business. Among the subjects discussed were Germany, France, Guatemala, the Hapsburg and Ottoman Empires, the Kerensky Government in Russia, African colonies, the French position in North Africa, Indochina, the Oppenheimer case, the internal problem of Communism, the Boer War, World War II, the relationship of Communist China to Russia, the EDC and NATO and the Locarno Pact.

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[1] Drafted June 27. The meeting took place in the President's office from 1 to 2:50 p. m.

Toward the end of the conversation in the course of the discussion of the American reaction to Mr. Eden's speech yesterday in the House,[2] the President described the letter which he had received signed by a majority of the House Foreign Affairs Committee[3] stating in effect that unless our position in connection with Mr. Eden's stated views was made unmistakably clear at this conference, the entire matter of the Mutual Security Program would have to be re-examined.

The Secretary pointed out that the problem of Indochina and Southeast Asia was probably the most difficult facing the conference. Mr. Eden, who had previously explained that his purpose in resurrecting Locarno was to emphasize the unwillingness of the UK to enter any guarantee of a Geneva settlement which required unanimous action by the guarantors, stated that he would only require about twenty minutes to lay the ground work for the discussion of Southeast Asia and that he was most anxious that the Prime Minister be present at the time. It was accordingly agreed that the group would adjourn to the solarium for a continuation of the discussion.[4]

Before leaving the luncheon table the President suggested that whereas it seemed unnecessary to have any fixed agenda, it might be useful to have set down certain key words, such as Egypt, Locarno, etc., as a checklist for discussion in order to make sure that no important topic was overlooked. The President also raised the question of the possible desirability of setting up special joint study groups to report back to the two governments their findings and recommendations on various vexing problems. Finally the President proposed that any decisions or agreements in principle which might be reached during the course of the meetings over the weekend should be put down in the form of agreed minutes. The Prime Minister agreed to all the foregoing.

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[2] For the text of Foreign Secretary Eden's report to the House of Commons, June 23, on the Geneva Conference, see *H.C. Debs. 5s*, vol. 529, cols. 428 ff.

[3] Not found in Department of State files.

[4] For a record of the continuation of the discussion, see CEV MC-3, *infra*. According to Hagerty's diary the meeting adjourned in order to let the press take pictures of the four principals.

No. 468

CFM files, lot M 88, box 169, "Churchill-Eden Visit"

Memorandum of a Meeting of President Eisenhower and Prime Minister Churchill at The White House, June 25, 1954, 3 p. m.[1]

TOP SECRET

CEV MC-3

Participants:

United States	*United Kingdom*
The President	The Prime Minister
The Secretary	Mr. Anthony Eden
Ambassador Aldrich	Sir Harold Caccia
Mr. Merchant	Sir Roger Makins

[Here follows a list of the subjects discussed.]

The discussion started at about 3 o'clock and ran until five.

At the opening the President suggested the following list of topics as one covering matters on which he thought there could be useful discussion: Iran, Egypt, EDC, Germany, SEATO, METO (and Iraq), Trieste, Israeli-Arab relations. He also mentioned the importance of close consultation between the two governments on matters of policy or action to ensure that before public announcement each was aware of the other's intentions. In this connection he reverted to the possible desirability of keeping certain situations under common study, possibly through the medium of assigning one or two individuals from each country to the study of specific areas or problems.

At this point the Prime Minister interjected the thought that it might be desirable to establish a political counterpart to the five-power military conference recently concluded in Washington.[2] This thought, however, was not picked up or discussed.

The President reverted to the possible desirability of a small US-UK group to keep various problems under common study and there was agreement between him and the Prime Minister that, if such groups were set up they must be men of responsibility acting in close connection or liaison with the Secretaries of State.

The Secretary proposed that atomic matters be added to the President's list and the Prime Minister suggested that there should also be added the possibility of high level talks with the Soviets, to which the President said he had no objection. The President went on to say that he had discussed the latter subject briefly with the Prime Minister earlier on the understanding that any such talks should be free from the presence of the Chinese Communists. He said that one possibility might be that the Vice President and the Secretary of State should participate in such high level talks. If success were indicated and it was decided that his own presence would be desirable, it might be possible for him to attend for three or four days. He pointed out, however, that the duties of his office made it impossible for him to be absent from the country for very long and that he could not risk being caught in a protracted negotiation. The Prime Minister suggested a first "reconnaissance in force" perhaps by himself to see if anything promising developed. The President suggested that the Prime Minister put down his idea in writing so that it could be considered. The Prime Minister commented that he would be interested in finding out what sort of a man Malenkov was and noted that he had never been outside his own country. The Secretary remarked that it was his impression that Molotov had a far freer hand in foreign affairs today than he had under Stalin. The discussion of this topic closed with the Prime Minister's comment that he believed there was a deep underlying demand on the part of the Russian people to enjoy a better life, particularly after suffering oppression for more than fifty years.

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[1] Drafted on June 27. This meeting, which took place from 3 to 5 p. m., is a continuation of that described in CEV MC-2, *supra*; for a record of the discussion of atomic matters during this meeting, see CEV SPEC-1, *infra*.

[2] See the report of the Five-Power Military Conference, vol. XII, Part 1, p. 554.

The President then turned the discussion to the EDC and Germany. . . .

The Secretary said that in his opinion that point would be reached if the French recessed for the summer without ratifying EDC. Under those circumstances he said that both of us must be prepared to move rapidly. His view was that the contractual agreement [3] should be placed in effect with, however, some reservation or qualification regarding unilateral rearmament by Germany. Mr. Eden indicated agreement and emphasized the desirability of the UK and US jointly approaching the French in the hope of seeking their concurrence.

The Secretary explained the constitutional requirements which presented themselves to us in modifying Article 11 of the Bonn Treaty. He explained a proposal under consideration whereby the Senate would grant approval for the severance of the two treaties in advance and indicated that in his judgment there would be little difficulty on this score with the Senate.

The President indicated that something of this sort would be necessary. After some discussion between the President and the Secretary they agreed on the desirability of exploring the passage of a resolution by the Senate along the following lines: "When the President determines that the welfare of the United States would be advanced by bringing the Bonn Treaty into effect, irrespective of any other condition, he would be empowered so to act."

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[3] For documentation on the contractual agreements including the text of the Convention on Relations Between the Three Powers and the Federal Republic of Germany (the Bonn Treaty), see volume VII, Part 1.

There was some discussion of the point that this action would not prejudice passage of EDC but that if EDC failed, another executive agreement would be required with Germany to cover rearmament.

Mr. Eden noted that he supposed that would require some form of Parliamentary action also and said that he would look into it. He also stated that if something were not done to restore sovereignty to Germany by October (in the absence of French ratification of EDC), the Soviets would be able "to pull the Germans across the line."

At this point Sir Harold Caccia distributed a one-page memorandum on the subject of Germany.[4]

The President closed the discussion by saying it was necessary urgently to study what must be done and what was feasible in the event the French failed to ratify this summer. He noted that it was important that our program be put to the French in the most effective light and in the absence of open threats.

Mr. Eden suggested and it was agreed that he and the Secretary work out the technical details along the general lines of the agreement reached in principle. He said there was no need to trouble the Prime Minister and the President further on this subject at this conference.

There followed some general discussion on the points which the Prime Minister might make in his short speech to the Congressional leaders at lunch the next day. It was agreed that whereas it was desirable to indicate that the UK and the US were in basic agreement regarding the problem of Germany, it would be extremely unwise to indicate that we were jointly considering alternatives to the EDC.

The President then raised the subjects of Egypt, Iran and Trieste which he said were related in his mind by reason of the fact that all three of them represented difficult problems, in which both our countries were concerned, which were on the verge of solution. He said that if we could solve these problems, that very fact would give a lift to the free world and make it easier to deal with the more difficult problems of Southeast Asia and Europe. Parenthetically in the discussion of Trieste, the President indicated his confidence in being able to find from one source or another $20 million apiece for Italy and Yugoslavia if such payments proved necessary for ensuring a settlement. It was agreed that matters both in regard to Trieste and Iran were going well. There followed a prolonged discussion of Egypt.

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[4] Not printed.

The President indicated the importance of maintaining US-UK unity and noted that in his judgment Suez was no longer as important as it had been once. He felt that the Egyptian negotiations should be settled promptly.[5]

The Prime Minister embarked on a prolonged and rather emotional discussion of Egypt. He said the situation must be avoided in which people would think that the United States had driven the UK out of Egypt. He agreed that the strategic importance of the Suez Canal had declined due to the atom bomb and the development of the Balkan Pact. He recalled, however, that there were more than 50,000 British graves in Egypt or just across its frontiers. He said that the treaty which Anthony had negotiated twenty years before had been unilaterally denounced. This was cheating and he asked what faith could be placed in such people who represented at best a military intrigue and dictatorship. He said that they must clearly understand that they would receive neither arms nor aid from the United States until they reached agreement and that these would be cut off if they broke any agreement. He said he wanted our guarantee to sustain and support any agreement reached.

The Secretary indicated that we would probably find it possible to put any aid we gave on a basis whereby it would be clearly understood that the aid would be discontinued if the agreement was violated but that this would not be made a matter of legal connection with the agreement. The President indicated that he also thought that some arrangement could be worked out under which aid would be suspended if the agreement was violated.

The Prime Minister referred to the fact that there had been a joint staff study a year or more ago on what might be done to preserve the base for common use.[6] He said that there were two points now still open, the question of Turkey and the question of uniforms. He reiterated that the base was much less important than a year ago; that it would be reduced and that some stores were now being moved. Part of the balance might be given to Egypt if they behaved. He noted that Eden had worked out a basis under which a private contractor would operate the base.

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[5] For documentation on the negotiations with Egypt concerning the Suez Canal Base, see vol. IX, Part 2, pp. 1743 ff.

[6] For documentation on the Bowker-Byroade talks, held in London, Dec. 31, 1952–Jan. 7, 1953, and the resulting joint staff study, see vol. IX, Part 2, pp. 1938 ff.

The Prime Minister went on to say that Cyprus and Jordan might be better than Suez for redeployment of British troops. He said that from such bases British forces might be flown to reinforce Malaya if needed.

From this point the discussion swung into Southeast Asia, with the Prime Minister's statement that he was anxious to take some of the weight off the United States in its presentation of an anti-Communist front. He said, however, that England would never accept going to war in Indochina. He doubted that the United States would either. He felt, however, that the British could take the major responsibility for the Kra Peninsula line which could be held by sea and air with some ground forces. All of these plans, he said, Lord Alexander would go into with our military people when he came over next month. [7] He went on to say that in building the front against Chinese aggression he hoped that the Colombo powers would find it possible to join in SEATO as well as the Philippines. He said there was no basic conflict between such a treaty and Eden's idea of a Locarno guarantee of a Geneva settlement.

At this point Mr. Eden said that he was bewildered by the press reaction to his reference to Locarno. He said what he endeavored to do was to point out the unacceptability of a guarantee of a Geneva settlement which involved the retention of a veto on the part of any single guarantor. "Change the name Locarno," Mr. Eden said, "if it stinks in the United States."

The President said that the discussion was straying from the point he had been making which was that settlements with respect to Egypt, Trieste and Iran would be tokens of success for our diplomacy and make the handling of the larger problems the easier.

There was some further discussion of Trieste, on which it was agreed that the UK–US negotiations had shown great skill. The President suggested that in addition to any aid we might give Italy to enable her to meet Yugoslavia's reparations claims, we should consider a payment, possibly of the order of $2,000,000, for the construction of a municipal building or center or in some fashion which would impress on the Italians and the people of Trieste our lasting interest in their affairs. He referred to the Turkish Prime Minister's statement to him that once Trieste was settled it should be possible to bring Italy into METO where it would serve as a pivot between the South European front and the Turkish-Pakistani front.

The discussion then turned to the Arab-Israeli problem and the Secretary pointed out the promising prospect of splitting Iraq from the Arab League which he described as an evil thing. There followed some discussion of the importance of strengthening the northern tier and it was agreed that everything possible seemed to be in train to relax tensions by our combined efforts with the Jordanians and the Israelis. It was further agreed, however, that such relaxation constituted no definitive answer to the problem.

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[7] The visit of Lord Alexander under reference here has not been further identified.

The Secretary then raised the question of the Buraimi, pointing out the importance of a prompt settlement which would prejudice neither of our interests. He referred to the program for drawing a line and providing for arbitration.[8] The former he said was of immediate importance.

The Prime Minister dropped the remark that it was oilism and not colonialism which was evil in the world today.

Mr. Eden indicated that the problem of arbitration was being worked out. He said that he had seen the Saudi Ambassador yesterday in London and had told him that he would be provided with their terms on arbitration within two days. He indicated that he felt this situation was under control and moving toward a solution.

Iran was next discussed and the Prime Minister opened by noting that Persia was the correct name. He added that we had helped them splendidly in the recent past. There was agreement that the situation was developing satisfactorily in the oil negotiations.

There followed a discussion on atomic matters which is reported in a separate memorandum.[9]

At this point Mr. Eden distributed a paper on the problem of Southeast Asia which it was agreed would be discussed tomorrow morning at a meeting between the Secretary and Mr. Eden in the Department.[10]

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[8] For documentation on the arbitration of the Buraimi dispute between the United Kingdom and Saudi Arabia, see vol. IX, Part 2, pp. 2458 ff.

[9] CEV SPEC-1, *infra*.

[10] See Document 471. For a record of the discussion on Indochina, see Document 470.

No. 469

CFM files, lot M 88, box 169, "Churchill-Eden Visit"

Memorandum of a Meeting of President Eisenhower and Prime Minister Churchill at The White House, June 25, 1954, 3 p. m.[1]

TOP SECRET

CEV SPEC-1

Participants:

United States	*United Kingdom*
President	Prime Minister
Secretary of State	Mr. Anthony Eden
Ambassador Aldrich	Sir Harold Caccia
Mr. Merchant	Sir Roger Makins

Subject: Atomic Energy Matters

When the discussion turned to atomic matters the President suggested to the Prime Minister that Lord Cherwell (who was reported already to be in touch with Admiral Strauss) should tell the Admiral precisely what the UK would like done in the matter of exchange of information. The President said that Admiral Strauss was in general charge of the legislative aspect of this problem. He thought that after they had had a good talk, the two of them could report later in the weekend for half an hour to the Prime Minister and himself. He noted that there were three general aspects of the problem. The first was the exchange of information (on which point the Secretary noted that, whereas there was little opposition in the Congress to broadening the provisions for exchange of information with our allies, the legislation might be held up by reason of dispute over the section of the new legislation which dealt with the internal organization of the Atomic Energy Commission). The second was the question of British bomber design to ensure the capability to carrry the A-bomb. Reference was made to the successful visit of Duncan Sandys in connection with this problem which now seemed to be solved. [2]. . .

The Prime Minister said that the recent tests of the H-bomb [3] had transformed what had been to him a vague scientific nightmare into something which now dominates the whole world. He said that Congressman Cole's recent speech in Chicago had made his eyes start out of his head.[4] He noted that Russia now has the bomb. He said that wars could have been fought with the A-bomb but that the H-bomb is something totally different

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[1] Drafted on June 27. The meeting took place between 3 and 5 p. m.; for a record of other subjects discussed at this meeting, see CEV MC-3, *supra*.

[2] Sandys visited Washington at the beginning of June for talks with Secretary of Defense Wilson on guided missiles and atomic armaments. No record of these talks has been found in Department of State files.

[3] The United States conducted a series of hydrogen bomb tests in the Bikini-Eniwetok area of the Pacific in March.

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There was some general discussion of the deterrent aspect of thermo-nuclear weapons which it was noted depended to a great extent on the existence of a sufficiently broad network of bases to ensure that our retaliatory power could not be crushed by a surprise blow. The Prime Minister said that the safety of the world depended on this deterrent—on the capacity for an overwhelming retort, and he said what might be the doom of the world could prove to be its salvation. The Prime Minister said that in his mind the key words were now deterrent, alert and alarm.

In response to a question from the Prime Minister, the President indicated that he felt the US position in the thermo-nuclear field at the present time was several times that of the Russians'.

The talk then turned to the possibility of a moratorium of H-bomb experimentation and there appeared to be general agreement that it would be unwise in light of the difficulty of detection and possible concealment of the size of any explosion. There was some further discussion of the dangers which now faced the world as a result of the portability of the bomb.

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[4] For extracts from the speech at Chicago on Feb. 17 of Congressman W. Sterling Cole (R-N.Y.), Chairman of the Joint Congressional Committee on Atomic Energy, see the *New York Times*, Feb. 18, 1954, pp. 1 and 8.

No. 470

CFM files, lot M 88, box 169, "Churchill-Eden Visit"

Memorandum of a Meeting of Secretary of State Dulles and Foreign Secretary Eden at the Department of State, June 26, 1954, 10:30 a.m.[1]

SECRET

CEV MC-4

Participants:

United States	*United Kingdom*
The Secretary	Mr. Anthony Eden
The Under Secretary	Sir H. Caccia

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[1] Drafted on June 28. The meeting took place in the Secretary of State's office.

Mr. Robertson	Mr. W. D. Allen
Mr. Merchant	Sir Roger Makins
Mr. MacArthur	Mr. R. H. Scott
Ambassador Aldrich	Mr. M. G. L. Joy
Mr. Sturm	

Subject: Indochina

The Secretary stated he intended to ask Mr. Eden questions about his document entitled "A Southeast Asia Settlement" [2] and asked Mr. Eden what he thought the settlement was likely to be.

Mr. Eden replied that his estimates had altered since the change in the French Government. Although Mendes-France might have had to set himself a thirty-day time limit for reasons of domestic politics, as far as Geneva is concerned announcing the thirty-day limit was a mistake. Yesterday Eden sent Mendes-France a warning referring to the recent stiffening in Communist terms and advising the French Premier not to let the enemy make use of the time limit he has set upon himself.

Under Secretary Smith referred to the recent blandishment of the representatives of Cambodia and Laos by the Communists at Geneva.

Mr. Eden said we can only wait and see if the Communists modify their position, which now is tending to be very stiff. Mr. Eden said that Prime Minister Nehru replied to a query saying that he had not invited Chou En-lai to New Delhi, but that the initiative had been Chou's. [3] Mr. Eden warned Nehru regarding the following two points:

1. If there is any serious revival of military activity in Indochina, that will abolish the hope of an agreement at Geneva.
2. The Viet Minh have to remove their forces from Laos and Cambodia.

Nehru replied that he had these points in mind in connection with his forthcoming conversations with Chou. Nehru added that he would wait to see what results the military talks have in the next few days.

The Secretary said that there appeared to be nothing much we could do now to strengthen the French. The President's letter to President Coty [4] did suggest that we were ready to undertake further talks with the French regarding intervention if they wished. The French have never taken the question of our intervention seriously but did want the possibility of such intervention to exist as a card for their use at Geneva. In our letter to President Coty, we thought it was best to wipe the slate clean and make a fresh start to take account of the change of government and the altered military position in Indochina. It now seems to us that much greater forces would be required if we were to intervene in order to offset deterioration in the political situation, the military posture, and declining morale. In other words, the old terms were obsolete and we wished to be free of them. Mendes-France has not intimated that he wants to have such talks. We assume that he will wait out his thirty days.

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[2] *Infra.*

[3] Chou En-lai, on his return to China from Geneva, began a visit to India on June 25.

[4] For the text of President Eisenhower's letter to French President Coty, June 18, 1954, see Department of State *Bulletin*, June 28, 1954, pp. 990–991.

Mr. Eden said that the President had read President Coty's reply [5] to the Prime Minister and himself. To Under Secretary Smith, Mr. Eden said that the only other thing of importance that he could think of since their last meeting was Chou En-lai's interview with the Canadian Ambassador. [6] There appears to have been a marked stiffening of Communist attitudes in the last 48 hours.

The Secretary asked Mr. Eden his views on a partition versus elections in Vietnam.

Mr. Eden said that from our point of view, a partition would be better since we would save something thereby. However, the word "partition" must not be used. With elections we would risk everything.

Under Secretary Smith remarked that early elections would result in a Communist victory.

Mr. Eden remarked that he liked Mendes-France. They had never met before. Mendes-France may be a good negotiator. Mr. Eden then asked the Secretary what were his views on elections versus partition in Vietnam.

The Secretary replied that *de facto* partition creates problems, particularly if it must be guaranteed. However, from the point of view of results in the area, it may be better under present circumstances. However, a year from now, if it were possible to reestablish morale, provide an effective government and obtain the support of the people, elections might be somewhat more desirable. However, under almost any circumstances elections would lead to coalition and eventually Communist take-over, as for example in Hungary.

Mr. Eden said he imagined the French preferred elections to partition.

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[5] For the reply of President Coty, dated June 23, 1954, see Department of State *Bulletin*, July 5, 1954, pp. 13–14.

[6] Not further identified.

Under Secretary Smith said that the French wished to avoid elections as 75 percent of the votes would go to the Viet Minh.

The Secretary said he wondered what the French attitude would be toward that portion of Vietnam which they had not surrendered. Their ability to save it from the Communists depends on a greater French readiness to withdraw and to permit the Vietnamese to build up their own military and economic forces. A partition which permitted the French to continue to dominate South Vietnam would create a position not easy to hold owing to encouragement that would give to subversion. The degree of continuing French presence is intimately connected to the resistance which can be built up to Communist pressures from the north. In this respect Mendes-France is inclined to be more clean-cut in his dealings with the Vietnamese than the preceding governments.

Under Secretary Smith said that Mendes-France wants the expeditionary corps returned to France. Eight months ago Mendes-France said that if the decision were his, he would discharge all colonial administrators. Mr. Eden agreed that in order to strengthen the area the best thing is for the French to get out, but that is very difficult under present circumstances, particularly since it would cause them difficulties in Morocco. Under Secretary Smith said he thought Mendes-France would change policies and relationships but that French withdrawal will be gradual.

The Secretary said that he was concerned that many loyal elements would be abandoned in a partition of Vietnam. He referred particularly to the Catholics in the North. Such factors as these must be taken into account in guaranteeing any line in Indochina. The Secretary asked Mr. Eden if the dual system mentioned in his "Southeast Asia Settlement" was designed to appeal to India and Burma.

Mr. Eden replied that there was much talk of guarantees at Geneva. The Communists would like to have guarantees plus a veto through collective action. Some other system not subject to the veto is preferable from our point of view. If the agreement were broken under that system, individual reaction would be possible.

Mr. Allen remarked that reaction at Geneva should be better to an across-the-board settlement which would engage the responsibility of Communists and non-Communists alike.

Mr. Eden said he did not think the Communists would accept the proposal he had in mind but their rejection would put us in a not too bad position and would strengthen the appeal of a Southeast Asia pact to the Asians themselves.

The Secretary queried whether Mr. Eden felt that if this system were worked out, US participation were vital. When Mr. Eden replied in the affirmative, the Secretary said it is difficult for us to undertake guaranteeing a Communist success in North Vietnam. Our principle is that while we must accept the fact of Communist domination in large parts of the world, we do not believe in guaranteeing it anywhere. A guaranteed European settlement dividing East and West would be contrary to our policy. Communist domination is an evil which we must accept temporarily. In Korea, for example, we would not urge President Rhee to move north nor would we guarantee Communist control of northern Korea. While we might not right a wrong by force, we will certainly not perpetuate it by force.

Mr. Eden said that his idea was to keep something worse from happening.

The Secretary replied that we would be favorably disposed to the proposition of guaranteeing a line against Communist aggression.

Mr. Eden said, "That may be the answer."

Mr. Eden inquired whether the Secretary felt the moral issue still entered the picture if the less bad of two alternatives were chosen.

The Secretary agreed that the balance of forces is such that reunification of Germany and Korea and freeing of Austria is not now possible but we cannot be expected to guarantee Communist control of what they now hold. While neither we nor Adenauer will attempt to reunite Germany by force, no more will we guarantee its division.

Under Secretary Smith said that if free elections were held in Vietnam now, the Viet Minh would probably emerge with a large majority. For that reason Molotov and Gromyko have proposed elections in lieu of partition.

Mr. Eden said that he had been searching for some arrangements in which the Asians would join us in saying to the Communists, "Thus far and no farther".

Under Secretary Smith said that the Communists would never agree to an acceptable international control formula for elections.

The Secretary said that the Communists would not accept such controls, even though they would win in Vietnam, because of the implications of this step for Korea and Germany. We can assume that if the French stand firm on the issue of free elections, the proposition will collapse of itself.

Mr. Eden said that something might be worked out along the lines indicated by the Secretary. We should have a plan ready for the time with the Communists will come up with their proposal. The Secretary's idea of a non-aggression concept as applied to this area should be explored by the UK and the United States.

The Secretary said that the formula suggested last December for Germany might be considered in this connection. [7] Referring to Article II(4) of the UN Charter, we could say that we accepted the settlement not because we like it, but because we were unwilling to upset it by means of force.

Eden said, "Let's look at that."

Under Secretary Smith said that this procedure would commend itself to Asians.

The Secretary said that if a *de facto* settlement divides Vietnam, why should not what remains after this division be guaranteed by a collective defense system?

Sir Harold Caccia replied that there was no profound philosophy back of this but at Geneva it appeared that these areas would be neutralized behind a political line.

The Secretary said that we need to give thought to whether Laos and Cambodia and parts of Vietnam can develop viable non-Communist governments if they are not given substantial help from the outside. In other words, the degree of neutralization or demilitarization, affecting military training missions, equipment and advisors, was very important. If these elements were excluded, it is doubtful that these governments could survive.

Sir Harold Caccia said that Chou recognized the validity of some military elements in Laos and Cambodia, including perhaps a very restricted number of French.

Under Secretary Smith said that while there are very few French cadres in Laos and Cambodia, the Communists have insisted upon the provision of no more arms from outside except for restricted defense. We should take the same line for agreements (1) and (2) of the Eden document, but the line should be political and if it were violated the military would decide where the fighting should take place.

Mr. Eden agreed that the defense line should be the political line, but where should it be drawn? That depends on what comes out of Geneva. He did not exclude from the defense provisions those parts of Indo-China which might be salvaged.

Sir Harold Caccia added the qualifying remark: Even though these areas cannot be turned into a defensive position.

Sir Roger Makins inquired about an enclave in the delta.

Under Secretary Smith said that any enclaves which remained would be short-lived and unfortunately would not enter into a permanent political settlement.

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[7] For documentation on the various proposals on Germany, raised during the negotiations which led to the Berlin Conference, see vol. VII, Part 1, pp. 722 ff.

Sir Harold Caccia said that if anything was salvaged in South Vietnam, we would have to consider what would bring the secondary pact into operation. Would subversion, for example, do this?

The Secretary replied that in his view this line would not cover internal subversion but he would be glad to consider another view of this matter.

Sir Harold Caccia said that it would be extremely difficult to define the terms of a violation of a defensive line: Assume, for example, that the Communists win elections.

Mr. Eden remarked that we would have to work to improve the lot of those persons remaining outside Communist zones and to hope that things would work out. All this depends on what settlement is reached at Geneva.

The Secretary inquired whether, if there were no Indochina settlement at Geneva, the UK would wish to give thought to saving parts of Vietnam.

Mr. Eden replied that he did not believe the people of Vietnam were with us and that consequently a great effort would be required. Laos and Cambodia are different. Moreover, those two countries could be taken to the UN. If Laos and Cambodia, for example, appealed to the UN and the appeal went well that would be a good basis for future action in the area.

Under Secretary Smith said he believed Mendes-France's immediate goal was to gain acceptance of the Thakhek–Dong Hoi line.

Mr. Eden inquired whether Mendes-France would be willing to abandon part of Laos.

Under Secretary Smith said that he would, partly because of the difficulty of defending the long border and partly because the Communists will hold fast to Northern Laos.

Mr. Eden said that he had been disturbed by the staff paper of the five power military talks which had indicated abandonment of so much of Laos. [8]

The Secretary left the room briefly at this time. General conversation in his absence touched upon Communist fear of US bases in Laos and Cambodia, a fact which gives us some bargaining power; French intention not to attempt to hold in the delta; what we can do to stiffen the French at this time; and French fears that the US and the UK will disassociate themselves from a Geneva settlement.

In reply to a question regarding "C. Proposed Action",[9] Mr. Eden said that the five power discussions had been all white. If the talks proposed in the paper were not all white, we would be faced with the difficult problem of how many, and which, others.

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[8] See the report of the Five-Power Military Conference, vol. xii, Part 1, p. 554.

[9] See the paper on Southeast Asia, *infra*.

Under Secretary Smith said that we might be able to continue as at present, adding political advisers, without advertising our talks.

The Secretary re-entered at that point and reported his conversation with Ambassador Bonnet, who brought him two messages from Mendes-France.[10] One of these messages mentioned regrouping of military forces and said that the French would try to hold an enclave in the North and to neutralize the Catholic provinces of Bui Chu and Phat Diem.

Mendes-France would like the communiqué on the Eisenhower-Churchill talks to say that a failure of the Geneva Conference would aggravate the international situation.

Mendes-France indicated also that there would be objections from elements in Vietnam about any settlement reached and repeated his hope that we would help sell this to the Vietnamese.

The Secretary continued by saying that there would be more headaches in attempting to develop the five power talks into a political conference. The Philippines and Thailand were already seriously irritated by the purely military talks. Our troubles would become almost unbearable if the five power talks became political.

Mr. Eden suggested that perhaps the US and the UK could talk among themselves, plus possibly the other members of ANZUS. Mr. Eden said that the details that might be discussed were the terms of a formal engagement and who invites whom.

The Secretary said that he thought it was best to proceed on a bilateral basis. The French are preoccupied with other things but their views can be obtained on an *ad hoc* basis. We already know the views of Australia and New Zealand.

Mr. Eden said that he would much prefer this, adding that we could tell Casey what is going on.

The Secretary said that these talks did not have to be publicized.

Mr. Eden replied that we should consider whether they should or should not.

The Secretary said that would depend. We might say that matters had been discussed by the heads of governments and as an aftermath the details were to be discussed at a working level with the objective of putting flesh on bare bones.

He added that under C, paragraph 3 should be eliminated, since at some point we must consider Indochina.

Mr. Eden said that both sides should prepare draft terms of reference covering what the study is to do.

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[10] Regarding Secretary Dulles' meeting with Ambassador Bonnet on June 26, see telegram 4852 to Paris, June 28, vol. XIII, Part 2, p. 1755.

Mr. Robertson asked Mr. Eden's position on the international control commission, in particular whether Mr. Eden still wished the Colombo powers to take on this job.

Mr. Eden replied in the affirmative, adding that one Communist state and "one of ours"; Sweden, Switzerland or Norway, might be added. The Communists for their part might suggest: Poland or Norway plus three of the Colombo powers.

Mr. Robertson inquired why we had to accept a Communist satellite state.

Mr. Eden replied that his position so far was that the Colombo powers should accept supervision.

Mr. Robertson asked why we should dilute this type of control commission. The idea of entrusting supervision to the Colombo powers has great appeal to the Asians.

Mr. Eden replied that the Communists have already rejected the proposal of the Colombo powers plus two others. He said that for himself he was all for fighting the Colombo proposal through since it was much the best solution.

Sir Harold Caccia queried whether we should stick on this issue if there was agreement on everything else.

Mr. Robertson said that the control commission is a very powerful element, particularly since it may be concerned at some time with supervising elections.

Mr. Eden said that recently he had written off the question of a control commission altogether, saying that this was a matter for the French. However, he now agrees that we should stick to the idea of the Colombo powers. He will do everything possible to encourage the French to adhere to this position and if we are unable to make any progress on these lines we shall confer again.

No. 471

CFM files, lot M 88, box 169, "Churchill-Eden Visit"

Paper Prepared by the British Delegation [1]

SECRET [WASHINGTON?] June 25, 1954.

A SOUTH-EAST ASIA SETTLEMENT

A. *If an agreement is reached at Geneva*, there might be:

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[1] This paper was handed to Secretary Dulles by Eden during the meeting at the White House on June 25 (see Document 468), and was discussed at the meeting in the Secretary's office on June 26 (see CEV MC-4, *supra*). It was circulated as CEV MEMO-5 in the records of the U. S. Delegation.

(1) an international agreement to uphold an Indochina settlement; and

(2) a collective defense agreement to deter and, if necessary, resist renewed Communist aggression outside Indo-China.

As regards (1):

(a) Such an agreement is desirable:

(i) in order to commit the Communists in writing to maintain the agreed *status quo* in Indo-China; and

(ii) in order to associate as many Asian States as possible with the maintenance of that position.

(b) The agreement should be open for signature by as many South and South-East Asian States as possible and by Australia and New Zealand, in addition to the states participating in the Geneva Conference on Indo-China.

(c) The commitments to be undertaken by the participating states would require further study; insofar as any action is provided for, it must be individual and not *only* collective as the Communists are likely to demand.

(d) An advantage of agreement (1) would be to make agreement (2) more readily acceptable to the Asian States.

As regards agreement (2):

(e) This agreement should be limited to those states willing to accept specific commitments to take military action in the event of renewed Communist aggression outside Indo-China.

(f) Its purpose should be:

(i) to deter such aggression by making clear that it would be met by prompt and united resistance and would involve the risk of general war and

(ii) to provide machinery for effective defense co-operation in the area and for the protection in particular of Burma and Siam against Communist infiltration and aggression.

B. *If no Indo-China settlement is reached at Geneva* only a collective defense agreement on the lines of (2) would call for consideration. Further consideration would also have to be given to possible action in regard to Indo-China, for instance, to save Laos and Cambodia.

C. *Proposed Action*

(1) A planning study of this whole question should be undertaken immediately by the Five Power Military Conference, to which political representatives should be added for the purpose.

(2) This study should embrace both:

(a) the question of the agreements to be concluded (as indicated in (1) and (2) above) in the event that an acceptable settlement on Indo-China is secured at Geneva; and

(b) the question of the agreements to be concluded regarding action to be taken outside Indo-China (as indicated in (2) above) if no Indo-China settlement is reached.

(3) The study should not, so long as the Geneva Conference is continuing, deal with action to be taken in regard to Indo-China itself in the event that no agreement is reached at Geneva.

(4) The purpose of the study should be to prepare agreed recommendations for submission to the Five governments on the nature of the committments to be undertaken in each of the contingencies in paragraph (2) above, the states to be invited to adhere to each of the various agreements contemplated, the timing of such invitations, etc.

No. 472

CFM files, lot M 88, box 169, "Churchill-Eden Visit"

Memorandum by the Chairman of the Atomic Energy Commission (Strauss) of a Luncheon Meeting, Washington, June 26, 1954, Noon [1]

SECRET

CEV SPEC-2

We have met today for a discussion of certain points raised by the Prime Minister in his conversations with the President. [2] These questions, which primarily concern the *effects* of weapons (notably thermo-nuclear weapons) were detailed by Lord Cherwell and Sir Edwin Plowden. Mr. Strauss explained that the results (*effects*) of the recent test series conducted by the United States were as yet incomplete but were expected to be coming from the laboratories within the next months. He stated that, pursuant to the agreement initiated in November, 1953, [3] to extend the *Modus Vivendi* to include the effects of weapons on human beings and their environment, it was the intention of the Atomic Energy Commission to volunteer the exchange of this data with the United Kingdom when it was received.

A further question raised by Lord Cherwell having to do with evaluation of Soviet capabilities was discussed in the light of limitations on such discussions now imposed by existing statute and it was agreed that progress beyond the collaboration now current would need to await enactment of amendments to the Atomic Energy Act of 1946. The proposed amendments had earlier been discussed with Lord Cherwell.[4]

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[1] According to a notation on the source text the memorandum was dictated by Strauss on June 26 after a luncheon meeting with Lord Cherwell and Sir Edwin Plowden. It was drafted on July 6.

[2] For a record of the discussion of atomic matters on June 25, see Document 469.

[3] For documentation on the agreement on the exchange of atomic information with the British, initiated in November 1953, see vol. II, Part 2, pp. 1251 ff.

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[4] A further discussion on atomic energy matters held on June 27, CEV SPEC-3a, is in Conference files, lot 60 D 627, CF 336.

No. 473

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of a Meeting of President Eisenhower and Prime Minister Churchill at The White House, June 26, 1954, 11 a.m.

The Prime Minister came over to the President's office shortly after 11, stayed until about 12:45. He then went back to the White House to "wash his hands" and the President went over a few minutes later for the meeting with the Legislative members.[1]

President first said that he was trying his hand with the "Atlantic Charter #2"[2] to reaffirm principles but modifying them by practicality. He said he was tired of this business of issuing a communiqué that says "we talked about this and we talked about that."

The Prime Minister first brought up "small point" about General Gruenther. The President explained that Secretary of Defense and others had wanted him to take Gruenther out of NATO for positions here, but that he would not do it. The Prime Minister said that he had been asked by Viscount Montgomery to put in a very strong plea to keep General Gruenther in Europe; the President said, "I will guarantee no change."

The President then brought up the topic of "reconnaissance" in forces which the Prime Minister had referred to in conversation the previous night (i.e., a meeting of the leaders of Soviet Russia, Great Britain and the United States).[3]

The President would not agree to a meeting anywhere under the present Soviet rule, but did not object to Churchill's suggestion of either Stockholm or London.

The President tried to urge the Prime Minister to (1) make the first move through diplomatic channels, and (2) include France. As to the first, the Prime Minister feels he can approach the matter obliquely, either through Malik or directly to Malenkov, by saying something to the effect, "How would you feel if you were asked to go to a big three meeting?" etc. The President tried to stress that opportunity should not be given to Malenkov to "hit the free world in the face."

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[1] For a record of the luncheon with the legislative leaders, see the attachment to the entry from Hagerty's diary, *infra*.

[2] See Document 353.

[3] Regarding this discussion, see Document 468.

They discussed Red China. Of admittance to the UN, Churchill said, "My line about recognition is that there has got to be peace first." The President said that if they would withdraw to their own borders, release our prisoners, and say they would observe propriety in international relationships, he would consider using his influence to obtain recognition.

Some discussion of Eden's relationship with Dulles here. Churchill said that Dulles has said a couple of things to Eden that need not have been said.

The President (going back to the question of meeting) thought it ought to be stressed that meeting would be concerned only with European affairs. Churchill thought that he could ask that Russians sign Austrian treaty. About this he said, "It is a dream; if I were a Russian I should think it would be good politics."

Churchill said that when he came to see Truman two years ago,[4] he telegraphed Malenkov about the trip; he did not inform him of this trip because he considered the "old friendship" basis so different.

Eisenhower suggested that the matter be talked over with Eden and Dulles. He again suggested ordinary diplomatic channels, but Churchill did not agree to that. He suggested Sir Winston might use as excuse his age, but Sir Winston did not agree to that.

At this point the President also said he would think favorably of The Hague as a meeting place.

Churchill does not want to inquire until he returns to England, of course; thinks he can find out 48 hours after his return.

About nations to be asked, Churchill said: "Two is company; three is hard company; four is a deadlock."

Churchill implied that he was going to turn things over to Anthony Eden some time before their elections in fall of '55.

Some discussion of salaries of members of Parliament and of Congress; and of their own financial situations.

Referring again to primary subject of conversation, Churchill's tentative inquiry about Big Three meeting, he said, "I swear to you that I will not compromise you in the slightest." The President suggested again the matter be talked over with Foster Dulles. He said this was one field where he was completely inexperienced in the kind of negotiations, and he was therefore unsure as to exactly what was right thing to do. The President, "I am not afraid to meet anybody face to face to talk to him, but the world gets in a habit of expecting a lot." He said he could conceive of going to the first day of such a conference meeting and coming home, leaving the Vice President and Foster Dulles there, and then perhaps going back for the last five days of such a conference.

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[4] For documentation on the Truman-Churchill talks, held at Washington Jan. 5–18, 1952, see Documents 311 ff.

Subject of rearmament of Germany brought up, and what Mr. Churchill would say at Senators and Congressmen's luncheon.

Then Churchill read the "Atlantic Charter #2." At the end, he said, "Damned good," and offered two minor word changes. He said, "I can't tell you how I like it compared to what we had to face in Bermuda with that damned communiqué." [5]

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President suggested that Prime Minister might want to speak at luncheon for legislative leaders, a little about Egypt, Iran & Trieste.

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[5] For documentation on the Bermuda Conference, Dec. 5–8, 1953, see vol. v, Part 2, pp. 1710 ff.

No. 474

Eisenhower Library, James C. Hagerty papers

Hagerty Diary, Saturday, June 26, 1954 [1]

In at 8:15.

The President was in his office at 8:30 and I had a half hour talk with him on the progress of the conference. He said that it was awfully difficult to talk with Churchill, that he refused to wear a hearing aid and consequently the President had to shout at him all the time in conversation.

My own personal observations are that Churchill is considerably physically weaker than he was when I saw him in Bermuda which of course is due to the fact that since Bermuda he has had two strokes. He is almost in the dotage period and gives the appearance at least of losing connection with the conversation that is going on in the room. However, when he speaks he still retains the forcefulness of delivery, the beautiful, ordered and intelligent command of the English language although he doesn't seem to be able to stay on a point very long. He seems to get on one subject and repeat it many times. An example of this is the several talks that he has already given on the complexities of a central form of government, the advantages we have here with our 48 states taking much of the local load off our government and his thoughts on the restoration of the heptarchy. He said this to the staff in the President's office on Friday; he repeated it at the Congressional luncheon today; and he stopped me in the hall on the second floor of the White House to give me a private speech on the subject. . . .

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[1] For the full text, see Robert Farrell, *Hagerty Diaries*, pp. 77–78.

In the afternoon while I was waiting on the second floor for the meeting of the Big Four to break up in the President's study, the President came out to go to his room to get a copy of his "declaration release." [2] He asked me if I was waiting to see him and when I said no that I was waiting to see the Secretary of State after the meeting broke up, he invited me to come in to the meeting. Once again I was able to personally observe Prime Minister's reactions. The President brought in the declaration and said that he and the Prime Minister had talked it over earlier in the morning, [3] but the President addressed all his remarks to Eden and the British Ambassador. . . .

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One thing that we were very successful on the very first day (although we had made no announcement of it) was on Guatemala. The President and Dulles talked cold turkey to the Prime Minister and Eden and told them that we would use the veto against them if they insisted on putting the Guatemalan question in the Security Council. Eden had a long talk with the President on this subject and later called the British representative of the UN. The result was that the American proposition to keep the Guatemalan situation in the American States organization was approved by the Security Council with England and France not voting. [4]

Another subject discussed at the conference which has not been given any publicity is the question of the Suez Canal. [5] Churchill wants us to agree to move in and use the Suez as a military base in the event of war and we will probably have to do so for our own protection, but he wants to be able to tell Egypt that we have so agreed before he takes his troops out of that territory. Settlement of Suez would give Churchill a reserve arms strength of 80,000 men, 40,000 of which are combat fit and could be sent to Malaya to strengthen to British position there.

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[2] The Presidential draft has not been found; for the final text of the Declaration by President Eisenhower and Prime Minister Churchill, see Document 488.

[3] For a record of President Eisenhower's discussion with Prime Minister Churchill at 11 a. m., see the memorandum, *supra*.

[4] Regarding the discussions on Guatemala, see Documents 464 and 467.

[5] For a record of the discussion on Egypt, see Document 468.

Attended the Congressional luncheon in time to hear Churchill make his speech and made notes, which are attached hereto.

[Here follow Hagerty's notes on the publication of a message from French President Coty and the impact of Australia and Pakistan on the British position with respect to Southeast Asia.]

[Attachment]

Notes by the Press Secretary to the President (Hagerty) on a Congressional Luncheon at the White House, June 26, 1954

The President in introducing the Prime Minister said that he was sure that no other citizen in the world could command so much admiration and respect as did the Prime Minister. He also said that it is something more than mere coincidence that the Prime Minister's mother was an American and that that gave him a common interest in both of our two great countries. The President said that the Prime Minister would like to have personally met each individual at the luncheon but that that was impossible. Instead, the President had prevailed upon the Prime Minister to say a few words to the gathering about the great memories that he has of the great work he has been and is doing. The President reminded the guests that the Prime Minister presided over a combined Chiefs of Staff meeting here in this very room during time of war and said that he was now asking the Prime Minister to again take the gavel and preside over a meeting in this room.

Churchill

The Prime Minister assured the President and the Members of Congress that they were doing him a great honor in meeting with him at the luncheon and that it was a great pleasure to talk for a little while to this distinguished and powerful gathering of men who exercise a great measure of control over the leading country in the world. He said that he was also pleased to have Members of the Cabinet present because the Cabinet idea of government was growing stronger every day. He said the Members of Congress who were here were members of the important committees that exercise the power of the Legislative over the Executive Branch of the government and jokingly said that they did not have such a system in his country. He said that in England the power of the Legislature came during the question time in the House of Commons which kept everybody very much up on their toes, but he added in Britain there was nothing similar to the Legislative Committees of the Congress who can constantly call executive officers before them for cross examination. He also jokingly remarked that he had a majority of eighteen to work with in the Parliament and that he was amazed when the Speaker told him that his majority was only a majority of two.

The Prime Minister said he was also impressed by the generous payment made to the Members of Congress and added that in his country there was some difference of view on this subject within his own party. He said that in the long run he was sure that legislative bodies would have a wiser, broader and more tolerant viewpoint if their members were not pressed or hampered by personal affairs and if their pay were more.

The Prime Minister then said that it was more than forty years ago when he first sat in a British Cabinet and that during that time he had seen the problems of government increase in complication and topics to be studied and discussed, increased until they were now almost indescribable. He said that he envied one thing in the American Constitution and that was the great strength under the American form of government which lay in the 48 states of the union. These states carry out much of the work of government. He said that he had always had the view that his country ought to adopt something like that and that he always felt that the restoration of the heptarchy would be a very wise step. He said that he hoped Anthony Eden would think of that in the days that are to come. He said it was also fortunate that at this time when America was called upon to face the greatest responsibility in the world it had a richness of men who could fulfill duties that were not expected and some which had not ever been experienced. It was lucky that that was so because the problems of the day are very grave indeed and the future of mankind seems to be so awful.

The Prime Minister said that he was sure, however, that a way could be found through the difficulties by the use of two important factors: One—Time—Do not throw away time. There are lots of things that seem impossible but it can be worked out given time; and two—Vigilance—Eternal vigilance that is needed to guard the freedom of the world against the intolerable philosophy of Communism. Communism uses any motive, sordid or violently belligerent to gain its end. Actually, it is only another form of aristocracy or bureaucracy seeking control of millions of people and digging itself in. Communism is a tyranny which will be difficult to overthrow, but let us of the free world make sure that we meet every sacrifice to keep it from ourselves and to keep it from being foisted, by force or ignorance, upon the human race.

The Prime Minister then said that the gathering would probably like to hear his viewpoint on some detailed matters. He said that conferences of this kind were vitally important, that meeting jaw to jaw is better than war. He realized how complicated the problems were and said that each problem could not be thrashed out to the last inch. But it was important to have consenting minds at the summit to back up the conference table. Otherwise, the conferences may go on forever.

He said that Anthony Eden had demonstrated infallible patience in dealing with the problems at Geneva and that he was glad that Eden and my friend, Foster Dulles, look at problems from different angles. That is good because when we meet in conference we bring joint points of view together.

The Prime Minister then said it was true perhaps that America could stand alone in the world, particularly with its advantage in thermonuclear matters. Such a stand, however, would be very unwise. He added that the United States, even at the height of its present power, has not attempted to acquire territory and that made him very proud of his blood connections.

As to the China question, he said he would not talk about that very much except to say that there was a great deal in the words that Eden used—"peaceful co-existence". He said that the free world could live in peaceful co-existence and that the views, opinions and scientific powers we possess would enable us to permit time to take its peaceful course.

The Prime Minister then said he wanted to talk about Germany. He said he had always been a great admirer of the French and had worked with them during their troubles in two world wars. However, he was extremely vexed at the way the French had dilly-dallied over EDC. He said he had always wanted a European army, that maybe EDC was not exactly the way to get it, maybe a Grand Alliance or a NATO type organization was the best way, but that EDC after all was a French invention. He said that he could not help be annoyed that the French had taken nearly three years in doing absolutely nothing about EDC and had dissipated the driving force that had led them originally to propose it. He said he believed that the French were very much open to reproach for permitting such a situation to develop, adding that it was partly due of course to the peculiar character of their Legislative Assembly. He said he was distressed that EDC had not been put into force and that some way should be found, if EDC failed, of procuring under NATO reasonable measures of security. We must not let ourselves imagine that if EDC does fail, it is impossible to build up European security under NATO. We can't wait forever on this, however, and the French should know that the United States and the United Kingdom regret their failure to bring about EDC.

He said that in creating lines of defense for freedom there is NATO, there could be METO and SEATO. These could be welded into effective defense units and is a task which both the United States and the United Kingdom must work at steadily. There is no doubt that you must be strong if you care about peace. Peace through strength is necessary.

The Prime Minister said that he was very glad to come over here; that he had thought about it two months ago and had contemplated coming over to stay at the Embassy for a discussion of exchange of information on thermonuclear matters but that it had been [put] off from week to week. Finally the President had invited him to come to the White House and stay there as a guest and he wanted to say he had never had a visit to Washington so agreeable and pleasant as this one.

We could not have met at a better time. There is a great underlying friendship between us, and the agreement and unity expressed to the world by just being here and talking frankly about our difficulties is vitally important. It will add to our combined strength and will help maintain the peace of the world.

The Prime Minister said that he and the President had been talking for twelve years now about the problems of the day, that they had got to know each other and that as far as he was concerned, the President was one of the few people from whom the Prime Minister derived pleasure in talking to him. Thank God you have him at the head of your country and that your country is at the head of the world. There is more need for forceful and valued service to show the way to peace with honor.

No. 475

CFM files, lot M 88, box 169, "Churchill-Eden Visit"

Memorandum of a Meeting of President Eisenhower and Prime Minister Churchill at the White House, June 26, 1954, 5 p. m.[1]

TOP SECRET
CEV MC-5

Participants:

United States	*United Kingdom*
The President	The Prime Minister
The Secretary	Mr. Anthony Eden
Ambassador Aldrich	Sir Roger Makins
Mr. Livingston Merchant	Sir Harold Caccia
Mr. Henry Byroade	

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[1] Drafted on June 28.

Subject: Egypt

The discussion on the above subject was resumed [2] in the White House at about 5 o'clock on Saturday, June 26.

Mr. Eden opened the discussion by reporting that the British Cabinet had accepted the concept of withdrawal of all military forces and continued maintenance of the Base by civilian contractors. They also now plan to reduce considerably the size of the Base to be maintained. They would retain only certain essential facilities, including air facilities. As a larger withdrawal was now contemplated, it would take longer for the British to clear out of the Base. In references to the equipment and supplies on the Base, Mr. Eden said "we will sell some, move some, and scrap some". All of this would necessitate changing the withdrawal time from the previously planned fifteen months to about twenty-four months. Mr. Eden also indicated that in view of the new concept to withdraw all military forces, he believed the Egyptians should agree to a longer term agreement than the previously agreed seven years. He indicated he was thinking in terms of ten to twelve years.

Mr. Dulles asked Mr. Byroade what the effect of the extension of the duration would be in Egypt. Mr. Byroade reported that he felt it would cause a political problem of some difficulty as it has been generally publicized in Egypt that agreement had been reached upon a seven-year period. He asked Mr. Eden if it would be possible to have at least part of the agreement for seven years; then perhaps another part, including "availability", for a longer period. Mr. Eden stated he thought that might be a possibility.

Mr. Dulles stated he thought another approach might prove politically acceptable. Now that the British have decided to greatly reduce the extent of the Base area, they could point out to the Egyptians that a part of the Base would be handed over to them within a relatively short period, say two years. In return for this the Egyptians might accept longer term arrangements on the remaining portion to be maintained by civilian contractors. Mr. Eden thought this a valuable new suggestion.

Mr. Eden stated that secrecy as regards discussions on this subject in Washington should be strictly maintained. This was agreed.

Mr. Eden also asked that the U.S., in its public statement at the time of the final agreement, indicate our support for freedom of transit through the Suez Canal as the British-Egyptian agreement will contain a reference on this subject. The President indicated his agreement.

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[2] For a record of the previous discussion of Egypt, see Document 468.

The Prime Minister reiterated his feeling that the United States interest in this matter should be so great that we should be willing to endorse the agreement. He had long felt that it would be better to have a Tripartite agreement. The President replied that he did not understand what the Prime Minister expected us to do. We could not very well join the negotiations and sign the agreement unless we were asked by both parties to do so. There followed a general discussion in which the President stressed that he thought we could be helpful in a declaration at the time the agreements were reached.

There followed a general discussion regarding the extension of U.S. assistance to Egypt. Mr. Dulles referred to the President's letter to Naguib of July 11 [*15*], 1953 [3] and read the portion which indicated that the U.S. was prepared to see firm commitments entered into with Egypt in economic and military fields as part of an overall solution. The letter also indicated the President's hope that such action on our part would be simultaneous with the signature of the Base agreement. Mr. Dulles pointed out that negotiations of these agreements took some time. He did not see how we could live up to our commitment unless our own negotiations could proceed at an early date. It could be understood that our agreements, barring unforeseen circumstances which would call for further consultation, would not be signed or placed into effect prior to the British-Egyptian agreement. Mr. Eden welcomed concurrent negotiations under this concept, but indicated we should first determine Egyptian reaction to the new British proposals. In other words, we should wait to see the atmosphere after their initial discussions. This was agreed.

The Prime Minister and Mr. Eden stressed their desire that we make it clear to the Egyptians that continued assistance from the United States was dependent upon Egyptian fulfillment of their agreement with the British. It was generally agreed that this would be the case and that it should be accomplished in a manner which would not indicate to the Egyptians an advance distrust that they would in fact not live up to the agreement. Mr. Dulles stated he believed one way might be in the provision of a "whereas" clause in our own agreements which would refer to the fact that Egypt is providing bases for the defense of the free world, etc. Mr. Eden felt this a good approach and it was left that some way as this would be found to meet the British point.

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[3] For texts of General Naguib's letter to President Eisenhower, July 11, and President Eisenhower's response of July 15, see telegrams 44 from Cairo and 69 to Cairo, vol. IX, Part 2, pp. 2115 and 2121.

The discussion ended with the agreement that the respective staffs should prepare an agreed minute on the subject of Egypt.[4]

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[4] Document 484.

No. 476

Eisenhower Library, John Foster Dulles papers

Memorandum of Conversation, by the United States Representative at the United Nations (Lodge)[1]

TOP SECRET [WASHINGTON,?] June 26, 1954.
PERSONAL AND PRIVATE

Participants: Prime Minister Winston Churchill
Ambassador Henry Cabot Lodge, Jr.

Dinner at the White House on Saturday evening, June 26th. Those present included on the American side the President, Dr. Milton Eisenhower, Allen Dulles, Lewis L. Strauss, Bernard Baruch, Arthur Summerfield, Admiral Radford, Bedell Smith and me. On the British side there was Churchill, Eden, Casey, Lord Moran, Lord Cherwell, and Churchill's son-in-law, Christopher Soames.

The President wore the British Middle Eastern Campaign Medal with two battle clasps, one for the First Army and one for the Eighth which had been given to him by Churchill. He is the only man except for Lord Alexander who can wear that medal with those two clasps. He told me before dinner: "I need a new decoration the way a dog needs a new flea."

Churchill came to the upper room before dinner and sat down, being the only man seated. I knelt beside him and told him how touched I had been in France in the winter of 1944 when he had visited the French Army front and had not only recognized me but had remembered that I had resigned from the Senate. I told him that I realized at that moment that he was not only a great statesman but also a great politician.

He seemed to enjoy the remark. He said that he was not at all sympathetic with the communist government in Guatemala and, as a matter of fact, that he had always believed that it would have been much better to have organized world peace on the basis of a few strong regional organizations, which might then choose representatives to a central world organization. He appeared, therefore, to be in sympathy with our attitude on the question of not using the power of the United Nations to abrogate the power of the Organization of American States.

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[1] The source text was attached to a brief note from Lodge to Dulles, dated June 29, suggesting that Under Secretary Smith, Murphy, and Merchant, *inter alia*, should see it. The source text also indicates that Dulles saw it.

Bedell Smith came over and I joined a group in which Eden was present and told him how much I had appreciated the abstention of the British in the Security Council held on Friday. He said: "It will mean a lot of trouble for me explaining that in the House of Commons." I said that it should not make too much trouble for him inasmuch as two minutes earlier I had been told by the Prime Minister himself that he had long favored strong regional organizations.

Both Admiral Radford and the President were intensely interested in all the details of the Security Council meeting. I told the President that our tactics resembled those of the fair-play amendment at Chicago. He laughed and said that he understood.

At dinner I sat between Casey and Admiral Radford. Casey said that the Chinese communists were terribly anxious to get into the United Nations and would do a great deal to get into it. But he did not say just what it was that they would do. He said he had talked with Chou for an hour and had been very much impressed with his eyes and with the fact that he thought Chou really wanted peace in Indochina. I said does that mean that they will want to take the Hanoi delta first and he said: "Oh, yes, of course", but that he thought they could be persuaded not to take Laos, Cambodia and Southern Vietnam.

After the dinner was over, we all met in the Red Room and I was one of the last to leave the dining room. Churchill was sitting on one end of a sofa and the President asked me to go and sit next to him, where I stayed for the balance of the evening. Churchill talked extremely freely. I began by telling him what my Grandfather had written in his diary, that he had met Churchill in an English country house when Churchill was a very young man and had predicted that Churchill would go very far. Churchill said: "Theodore Roosevelt never liked me at all, but I don't know what it was that I did. Maybe I lit a cigar at the wrong time. But Alice Longworth always liked me."

He got on to the question of his early detestation of Bolshevism and communism. He spoke of how when Bolshevism first began many people had thought it was a peace movement and he had seen it for what it was, and had given 200 million pounds of British surplus military equipment to General Denikin and Admiral Kolchak. He said that if Denikin had not tried to take in so much territory and had not become so dispersed but had concentrated himself along the railroad that he might have gotten himself to

Moscow. As it was he got to Tula which was closer than the Germans ever got.

Today he said the average Russian wants "knick-knacks for his cottage". He wants movies and bars and football. He wants the kind of fun that people have in a democracy. But they have had 50 years of the most horrible existence what with the Czars, the two world wars, and the oppression of their own rulers. It has all been dreadful beyond description. Stalin made the immense mistake of thinking that he could go on to world conquest, thereby losing the friendship of the United States and the United Kingdom and bringing into existence a system of alliances which no one had ever thought of before. Today 6 million communists in Russia rule over 200 million. It is the most highly privileged class in the world. This communist membership is something that they pass on to their children.

On the subject of China, he said that the Chinese communists had been given diplomatic recognition when the labor government was in power and that he would not have done it had he been in power himself. In fact he had advised the labor government not at any rate to extend *de jure* recognition to them and thought it had been a great mistake to have given them both *de jure* and *de facto* recognition. But, he said, when he came to power, things were relatively peaceful, so he did not make other arrangements, although "they have treated us most horribly". Now he said the Chinese were at last sending a representative to London but he felt there was "absolutely no hurry about it" and "it really didn't mean a thing".

He said that admission to the United Nations was an entirely different and distinct matter from diplomatic recognition. As regards the United Nations he felt it was absolutely out of the question to admit the Chinese communists "as long as the Chinese communists are at war with the Assembly—and until they have concluded a peace on Korea". Then you would have to admit them. He repeated twice "not until they conclude a peace". I asked, when he said a peace whether he meant a definite treaty, and he said: "Yes, a treaty."

Churchill had said that he had told the Senators in the afternoon [2] that it was a marvelous thing for the world that Eisenhower was President. He also spoke of the President's December 8th proposal for a stockpile of fissionable materials [3] and said he thought

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[2] Regarding Churchill's luncheon with members of Congress, see the attachment to Document 474.

[3] For the text of President Eisenhower's address to the United Nations General Assembly on December 8, 1953, entitled "Atomic Power for Peace", see *Public*

Continued

it was a wonderful thing and "that it should not be dropped." When I asked him whether that meant that we should go along without the Russians he said that we should not drop it but that the cabinet had felt in view of the shortage of British fissionable materials that we shouldn't hurry about taking it up.

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He said when it came to trying to foresee the course of a future war, he thought that he could pretty well estimate how a future war could go, if it were fought with atomic bombs, but, he said, when you come to figure it with hydrogen bombs it becomes absolutely impossible. Nobody can figure it. A nation that had one-tenth as many hydrogen bombs as another, can nevertheless win the war by being the first to attack and thereby completely destroying the 10 to 1 advantage which the other nation has got.

He said that he could not forget the extraordinary situation which existed in this country during World War II when Admiral King was conducting the war in the Pacific with a Marine Corps of a million men in addition to the Navy, and Marshall was conducting this immense land war in Europe, and the pressure was constantly on Roosevelt to put a greater effort in the Far East. Churchill said: "I, of course, thought Europe was the most important place because I lived there. I never was much of a China man myself. I used to say to President Roosevelt that he preferred the Chinese empire to the British Empire. I told him that China would be divided by war after World War II."

He spoke about General Auchinleck and of the fact that he never would concentrate himself on the war in the Libyan desert but was always looking over his shoulder at Iraq and the Middle East. He felt that General Ritchie might have been a good Corps commander but was totally unsuited to command the Eighth Army. He kept urging Auchinleck to go out and take command himself and Auchinleck finally did but only when it was too late.

In my earlier talk with Eden I asked him whether he felt the Soviets should be allowed to use the Security Council to nullify NATO and he said: "Oh, no, certainly not." He said that Dulles had told him to read the speech which I made in the Security Council on Friday. I told him that Dulles had actually really been the author of it and that I could therefore heartily advise him to read it because it set forth a very fundamental point.

Papers of the Presidents of the United States: Dwight D. Eisenhower, 1953, pp. 813–822 or Department of State *Bulletin*, Dec. 21, 1953, pp. 847–852.

No. 477

Eisenhower Library, John Foster Dulles papers

Memorandum of Conversation, by the Secretary of State [1]

TOP SECRET WASHINGTON, June 27, 1954.

Mr. Churchill said he wanted me to know how highly I was regarded personally by Mr. Eden, and that he, Mr. Churchill hoped that that viewpoint was reciprocated. I assured him that it was.

Sir Winston spoke of the possibility of his having a high-level meeting with the Russians, which might perhaps be preliminary to a three-power meeting. He said he had in mind possibly going to Stockholm to see whether there were "consenting minds" which would make it profitable to have a three-power meeting. He referred to the President's suggestion that the President might make a brief personal appearance at such a meeting, but that in the main it would have to be carried by me, possibly with the Vice President taking the President's place.

I pointed out to Mr. Churchill that it was extremely dangerous to have such a meeting unless it would have positive results. An illusion of success would be bad, and also an obvious failure would be bad and might create the impression that the only alternative was war.

I asked Churchill what concrete accomplishment would be possible and he said an Austrian treaty. I said I thought we had gone very far with Molotov in trying to get an Austrian treaty and I was skeptical about the possibility of getting it by his method.

I pointed out that if Mr. Churchill should make an exploratory mission alone, it would not be looked upon well in this country, and also we might have to make it clear that Mr. Churchill was in no sense speaking or acting for the United States. Sir Winston said he fully understood this. On the other hand, he would be going not in any sense as an intermediary between the United States and the Soviet Union, but representing the spirit and purpose of "our side".

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[1] The conversation between Dulles and Churchill took place at the White House from 12:30 to 1:30 p. m. on June 27. The source text was attached to a memorandum of transmittal from Dulles to President Eisenhower, dated June 28. According to Hagerty's diary, Dulles later told him that the conversation went as follows:

"The Prime Minister was still obsessed with the idea of going to Moscow for a meeting and had tried to get Dulles to urge the President to do likewise. Of course, we are unalterably opposed to such a trip but it may be if we do not go, Churchill will go anyway. Churchill also had a talk with Dulles on what the Prime Minister declared was the difference between British and French Colonialism and wanted to make sure that we would support the British viewpoint on this matter." (Eisenhower Library, James C. Hagerty papers)

I urged that the matter be very carefully weighed before any positive decision was made.

(Subsequently at my house on Sunday afternoon, I reported the foregoing to Mr. Eden.)

No. 478

CFM files, lot M 88, box 169, "Churchill-Eden Visit"

Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Robertson) of a Meeting of Secretary of State Dulles and Foreign Secretary Eden, June 27, 1954, 5 p. m.[1]

SECRET

CEV MC-6

Participants:

United States	*United Kingdom*
Secretary	Mr. Eden
General Smith	Amb. Makins
Mr. Merchant	Sir H. Caccia
Amb. Aldrich	Mr. Allen
Mr. MacArthur	Mr. Scott
Mr. Bowie	Mr. Joy
Mr. Robertson	
Mr. Sturm	
Mr. Gilman	

Subject: Seating of Communist China in the UN

After coming to agreement on certain language changes in the minutes on Germany, Southeast Asia and Egypt, and the reply to the French Government on Indochina,[2] the following discussion took place.

Mr. Eden said he realized that this subject was dynamite for the United States but at the same time it would be extremely difficult for the British Government to hold out against the popular opinion in that country. He said that he could not give an unequivocal pledge that the question would not come up but that he would do everything possible to keep it from becoming a problem for us.

Mr. Dulles replied that admission of Communist China into the United Nations at this time was an impossibility for us. Trade also was a bad problem but it did not have the same degree of gravity as U.N. admission. If Communist China were admitted to the UN

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[1] Drafted on June 28. The meeting took place at Secretary Dulles' residence.

[2] For the Agreed Minutes on Germany, Southeast Asia, and Egypt, and the reply to the French on Indochina, see Documents 484-487.

Mr. Dulles made it clear that it would probably be impossible to keep Congress from demanding U.S. withdrawal, including U.S. financial support. He said he did not think he could exaggerate the difficulties for us inherent in such a proposal. He noted that although it had been attributed to him, he had never said that this was our policy under all conditions at all times. However, the security of the Pacific Ocean was of vital national importance. The Chinese Communists are constantly challenging that position. So long as the Chinese Communist regime continues its campaign of venom against the United States, we would have to oppose any policy that would add to its power. If and when the Chinese Communists became decent and respectable in deeds, not just in words, then it would be time for us to take another look at the situation.

Mr. Dulles said that he had often thought of the desirability of altering the structure of the United Nations so that permanent members of the Security Council could be changed from time to time. Although the U.S. originated the idea of China becoming one of the permanent members, Mr. Dulles believed this concept was ill-advised. Certainly under present conditions a country like India would be a more suitable permanent member than China. Prime Minister Churchill had said to Mr. Dulles that he could well understand that the U.S. was not prepared to abandon Nationalist China, which had long been their loyal ally. The Prime Minister had indicated that consideration might be given to the possibility of having two Chinas in the General Assembly. He did not feel that the Nationalist Government rated membership in the Security Council.

Mr. Eden stated that the U.K. and some of the Commonwealth and European countries felt that the longer Red China was kept out of the United Nations the more difficult the world situation would be.

The Secretary suggested that Mr. Eden let his imagination play upon the problem of how the United Nations Charter could be revised, changing conditions for membership in the Security [Council]. The Secretary felt that perhaps the organization should have no permanent members or at least not permanent in the sense of perpetuity. Both Mr. Eden and the Secretary thought Russia would be opposed to any change.

No. 479

Conference files, lot 60 D 627, CF 239

Memorandum of Conversation With Foreign Secretary Eden, by the Secretary of State, June 27, 1954[1]

CONFIDENTIAL

I mentioned the desirability of setting up one or more informal study groups which, on an unofficial basis, would consider some of the common problems of our countries, where there were major divergencies of policy.

Mr. Eden said he thought this matter needed to be thought over and he would think it over.

JFD

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[1] Drafted on June 29; copies of the source text were sent to Under Secretary Smith, Murphy, Merchant, Bowie, MacArthur, Robertson, and Byroade.

No. 480

Eisenhower Library, James C. Hagerty papers

Hagerty Diary, Monday, June 28, 1954

[Here follows a report on the meeting with legislative leaders at 8:30 a.m.]

Churchill joined the President in his office at 11 o'clock.[1] They were joined a few minutes later by Dulles, Eden and their staffs. I was called in to the meeting about 11:30 and it was decided then and there to put out the communiqué for immediate release at 12:30. The reason the communiqué came out first was that Churchill asked for time to cable the Declaration to his government and get their opinions on it.[2] It was agreed to meet again the following morning.[3]

The President had a little fun with Churchill on the time of the meeting. He said, "Winston, I will be ready to meet you anytime you want. I get up at 6:30 and will be available from seven o'clock on." The Prime Minister smiled and said, "Mr. President, as you know, I have a habit of getting up a little later than that." The President said, "10:30?" Churchill said, "A little later than that please." The President: "11:30?" The Prime Minister: "That will be fine. That is more normal."

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[1] No other record of this conversation has been found in Department of State files.

[2] For the text of the joint declaration and the communiqué of the visit, see Documents 488 and 490.

[3] See Document 482.

I accompanied the Prime Minister and his party to the Statler for the luncheon of the Press Club. The British were very nervous about the Prime Minister's appearance and particularly his decision to answer questions which he had not seen before and which were to be read to him on the spot. I personally believe the Prime Minister was also a bit nervous but once the questions started, the old gentleman did a magnificent job. As the question period continued, you could actually see the British breathing a sigh of relief at Churchill's performance. They were really scared before it started, not knowing what he might say or blurt out—but he did a fine job.

I talked with Dulles during the conference and had arranged with him to have a briefing for American correspondents at the State Department that afternoon. Carl McCardle and I, during the reception before the luncheon, circulated it around and told most of the men who normally cover the State Department to be over there at 3:30. Dulles' briefing went off very well and the men who were writing the stories were therefore able to get a much clearer picture of the situation from the American point of view.

No. 481

CFM files, lot M 88, box 169, "Churchill-Eden Visit"

Memorandum of a Meeting of Secretary of State Dulles and Foreign Secretary Eden at the Department of State, June 29, 1954, 10:45 a. m. [1]

TOP SECRET

CEV MC-7

Present:	*United Kingdom*	*United States*
	Eden	The Secretary
	Makins	The Under Secretary
	Caccia	Merchant
	Allen	Robertson
	Scott	MacArthur
		Bowie
		Sturm
		Stelle

[Here follows a list of the subjects discussed.]

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[1] The meeting took place in Secretary Dulles' office from 10:45 to 11:30 a. m. The memorandum was drafted by Sturm and Stelle.

The Secretary said he had four items which he would like to discuss. The first had to do with the question of East-West trade. Stassen had wondered if Thorneycroft could come over this week. The Mutual Security Bill in Congress was at a crucial state and Stassen thought that talks with Thorneycroft might help in getting us out of the jam we were in.

Eden said that in principle he was in favor of Thorneycroft coming over. He would have a word with him and would see if it was possible.

Later in the conversation Makins said that the talks thus far had been tri-partite and asked whether it was proposed that a Frenchman also be invited. Merchant said that we did not propose to invite the French. We had reason to believe that the French would not be disturbed since the area of dispute was between the U.S. and the U.K.

The Secretary raised the question of the Anders Poles.[2] Makins said that Merchant had taken this question up with him and he had sent a telegram asking for an immediate reply. He thought he would be getting a reply shortly. The Secretary said that US law provided for a quota of 2,000 immigrants. The law also provided that if applications were fraudulently made persons would be subject to return. The UK had not as yet given assurances that they might be willing to take back after eighteen months those who might make fraudulent applications.

Makins said it was a question of precedent and the real question was whether the House of Commons or Congress would pass the enabling legislation. He asked what the time factor was for an answer.

Merchant said that there was a lot of Congressional pressures and that as soon as we could get an answer it would be useful.

Eden said that if it were a question of legislation being required there was probably little the UK could do at this stage. The Secretary said that as a practical matter if they get over here they would be absorbed and very few indeed would be returned. He recognized that an indefinite commitment would be difficult for the British to accept in principle.

The Secretary said that from time to time the State Department publishes documents on the history of our foreign relations; that we were now reaching to the time of the war. We would shortly be asking UK approval for publication of some documents which were of bilateral concern, such as some documents of the Combined Chiefs of Staff. The Secretary was not asking Eden to approve publication of documents which he had not seen but merely advising him that we would soon be approaching the UK for such approval. The Secretary said we would be giving the British a note along this line.

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[2] Under reference here are Polish immigrants in the United Kingdom who had been assisted by former Polish General Wladislav Anders.

The Secretary brought up the question of negotiations with Japan for a trade agreement and bringing Japan into GATT. (At this point the Secretary left the room.)

Eden asked what our point was.

Robertson said that we felt it was necessary to get Japan into GATT. There was no solution for Japanese economic problems except trade. The US had the same problem as the British did in getting our own Congress to open up US markets. He said that Japan had had a 1.1 billion trade deficit last year and this situation could not continue.

Makins said to make the point clear we were going to have trade talks with Japan and in order for them to be successful Japan must be a member of GATT. Mr. Robertson agreed. (At this point the Secretary returned.)

Eden asked what was Japan's present relationship with GATT.

The Secretary said we had had a conference a year ago and Japan had been brought into GATT on a provisional basis. This had been opposed by the UK. The US took a very serious view of the Japanese problem. We would have to find trading areas for Japan. The US for its part did not want Japanese goods any more than the UK. However, this type of treaty involved concessions by many other countries as well. It was going to be a very difficult problem. Our own people are very much worried. The Secretary had talked with Congressional leaders yesterday and they had said there just were not any Japanese goods which we wanted. The Secretary had said that we might have to take goods which we didn't want unless we wanted to put Japanese industry at the service of the USSR and Communist China to assist them to bring up their military strength. The Secretary was not asking for a decision by the UK at this point, but he did ask that they give the question serious study because it involved their trade people. The Secretary did want to emphasize the extreme importance which we attach to finding areas for Japanese trade. He pointed out that the Japanese only produced cheap substitutes of things which we produce in quality and that Japanese importation disrupts US domestic markets. The more these areas could be outside our countries the happier we would be. But the Japanese are now running an adverse trade balance of some 1,000 millon dollars. They have survived only because due to the Korean war we have made heavy purchases in Japan of such things as parachutes, trucks, and have had repair work done on military materials. Due to these purchases the

Japanese had picked up from 500 to 600 million dollars and they had dipped into their reserves. This, however, could not go on for long without disaster. Both the US and the UK had an interest in that part of the world; they should look on it as a common problem and concert together what to do.

The ideal solution would be to develop markets for Japan in Southeast Asia. The Secretary said one of the serious consequences of the loss of Southeast Asia would be its effect on Japan. If we could salvage a substantial part of Southeast Asia there would be the possibility of developing Japanese trade with that area. Unfortunately, the Japanese had left bad memories in Southeast Asia and would not be welcome back easily.

Eden said this was obviously a difficult problem and asked whether the US was going to give the British a memorandum.

The Secretary instructed Mr. Robertson to consult with Mr. Waugh in preparation of a memorandum for the British.

Eden said that the Japanese question was not purely a Foreign Office question. It was obviously a tariff question of the most combustible kind. He said that if the British could have a memorandum they would study the problem.

Mr. Allen injected that Japanese imitations of British textile designs had recently aroused considerable sentiment against the Japanese.

The Secretary said that we would have to pick and choose very carefully and also work out a way of distributing the burden among as many other countries as possible so that it would not be too serious for either the US or the UK. He thought that the UK problem was perhaps more serious than that of the US, although the US problem would be very difficult.

Mr. Eden asked if it would not be possible for the Japanese to do a certain amount of trade in non-strategic material in Communist China.

The Secretary thought it would be possible. He questioned, however, whether the Chinese Communists would want to deal with the Japanese for non-strategic materials. He also thought it strange that there did not seem to be strong feeling in Japan on trade with Communist China. When he had last talked with the Japanese they had just gotten some coal from Communist China and it had proven to be of very poor quality. They did not believe they could get much of what they wanted from Communist China. In principle the US does not stand opposed to certain types of trade between Japan and Communist China but it was questionable whether this trade would afford any material relief to Japanese economic problems.

The Secretary raised the question of concurrent instructions to the UK and US ambassadors in Paris. Eden said that the UK was in a slightly different position from the US with regard to the French. The UK wanted to give the French diplomatic support in achieving a settlement. Therefore, he preferred a former draft which expressed "hope that an agreement would be reached" instead of the draft revised by the US which stated merely that the US and the UK "would be willing to respect an agreement". [3]

The Secretary said that he had never consciously seen the draft which included the word "hope". There may have been some confusion since he had handed it to Mr. Merchant and Mr. Merchant may have thought that he had read and approved it.

Mr. Eden thought it would be "saucy" for him to say to the French that the UK "would respect" such an agreement.

Makins pointed out that the US revised draft did not say that either government would not respect any other agreement.

The Secretary said this was negative in the sense that it did not exclude any other type of agreement.

Eden said that that being the case the UK would accept the revised US draft.

The Secretary said that if the French tell us that they cannot get agreement on these terms we would expect them to give us the opportunity of the first look at whatever terms are proposed.

Makins asked whether at that point the question would be taken up by the Study Group. [4] Eden said no it would have to be worked out between the Ministers.

Eden raised the question of paragraph 2 of his telegraphic instructions to Jebb and Paris with reference to "strengthening the hand of Mendes-France" and adding orally that the UK would be prepared to give "diplomatic support" to achieve such an agreement. The Secretary raised no objection to this paragraph.

Mr. Eden raised the question of the date of acting on the Thai appeal to the UN. He said that the French wanted no action taken before July 20.

The Secretary asked what were Prince Wan's desires in the matter, saying that Prince Wan had denied making any agreement to postpone the appeal.

Mr. Robertson said that Prince Wan wishes to lodge an appeal about July 8, although the session itself probably would not begin before late July or early August.

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[3] See Document 487.

[4] As a result of the Churchill visit a joint U.S.-U.K. Study Group on Southeast Asia was established (see Document 486). For documentation on the work of this Study Group, see vol. XII, Part 1, pp. 600 ff.

The Under Secretary said that if there were no move before July 20 it would not come up for a month after that.

The Secretary said that he was not clear in his own mind whether this was a special session of the General Assembly or an emergency session under the "Uniting for Peace" resolution or in fact was a resumption of the recessed session on Korea.

Mr. Eden asked whether the request would be affected by what happened from now on in Indochina.

The Under Secretary said he thought the request should go ahead regardless of what happened in Indochina.

Mr. Eden raised the question of whether we would secure a majority in the UN.

The Secretary said that much would depend on developments and particularly as to where the Observation Commission would go. If things worked out in Indochina it would probably be best to limit their observations to Thailand.

The Under Secretary said that it was entirely problematical what we would get in the line of a supervisory commission for Vietnam. On this question the Communists might well be able to call the turn. There was a possibility that the Communists might buy the Colombo Powers possibly with the addition of a Communist state. There was, however, the possibility that in the last analysis we might have to take some other formula, possibly the 50-50 formula which the Communists had proposed. As against Vietnam, Laos and Cambodia were completely different problems. If we had to take a formula for Vietnam it would be decidedly advantageous to us to have a genuine UN sub-committee already operating in the area. Laos and Cambodia could then invite UN supervision and in that way we could get a different supervisory system for those two states.

Eden raised the question of whether it would meet the French request if it were agreed that no request should be made before July 15. He said that he saw the point about the POC, but he thought it would be difficult to work it out.

Robertson reaffirmed that Prince Wan wanted to present the request July 8.

The Secretary asked why the French should be so excited about the question of an observation commission for Thailand. Mr. Eden said they thought it would react on their Indochina negotiations. The Secretary said he could understand how this would be the case if the commission were going to the Indochina states but he didn't see why the French should be perturbed if it were just going to Thailand.

The Under Secretary said that the French estimated the consequences differently, at least differently than he did. The French thought this would cause suspicion on the part of the Communists. He thought it would actually strengthen our position.

The Secretary wondered whether the French wanted to give away a large part of Indochina; and also wanted to throw Siam into the pot?

Eden said that he agreed that much would depend on how the request was worded. If it were limited to Thailand it would be much easier. He said that he would have Dixon talk to Prince Wan and see just what his firm dates were.

Mr. Robertson pointed out again that what was involved was the date of the submission of the request and not the date of the consideration of the item.

Mr. Eden said he would like in one sentence to raise a question about Guatemala. He said that anything the US could do to keep the Security Council in the picture and fully informed would help him at home. He thought it would be helpful if the US could write the Security Council some kind of a letter.

The Secretary said that we felt obligated to keep the Security Council fully informed. The latest developments had resulted in a confused picture. There had been at least three devolutions of the supreme executive authority in Guatemala in the last forty-eight hours. Arbenz had resigned in favor of Diaz. Diaz had then resigned in favor of a military junta of which he was a member, and then the junta had turned over command to some other colonels.[5] We have been approached to assist with good offices for a meeting between the two opposing commands in Salvador. Right now it is difficult to know just whom to deal with. The Inter-American Peace Committee is meeting right now to decide when and where to go. They had received safe conduct from the Arbenz government but before they could arrange for safe conduct from Diaz, Diaz appeared to be out of the picture. Mr. Eden said he thought it would be useful for the Peace Committee to go somewhere and do something. He wondered whether the Peace Commission might not go say to Nicaragua and report how the situation looked to them from there. He said we don't want the question coming up in the Security Council again.

The Under Secretary said he thought they were considering at least going to Mexico promptly.

The Secretary then raised the question of US action in Indochina while the Study Groups were meeting. Mr. Merchant said that we didn't want Mr. Eden to have any misunderstanding with respect to the Terms of Reference of the Working Group on Southeast Asia. The US would have to be moving ahead on such things as the possibility of training missions for Cambodia or Vietnam and such US activities would not be excluded by the fact that the Working Group was meeting.

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[5] For documentation on the resignation of Guatemalan President Arbenz, his replacement by Carlos Enrique Diaz, and the latter's resignation in favor of a military junta, see vol. IV, pp. 1027 ff.

The Secretary agreed that the Working Group would be studying the problem of collective defense and that this would not exclude either the UK or the US from activities outside the scope of its Terms of Reference. The US would have to deal with the situation in Indochina. We had people in Vietnam and some in Cambodia and Laos. We had military advisory groups. We had a vast quantity of military material which we certainly would not want to fall into enemy hands. There were all sorts of arrangements which would have to be made to protect our interests in the area. We might, for example, want to turn over military equipment to Cambodia in advance of a cease-fire.

Ambassador Makins asked whether the UK could assume that they would be kept informed. The Secretary said we would keep them informed.

Mr. Eden indicated his agreement.

No. 482

CFM lot M 88, box 169, "Churchill-Eden Visit"

Memorandum by the Assistant Secretary of State for European Affairs (Merchant) of a Meeting of President Eisenhower and Prime Minister Churchill at The White House, June 29, 1954, 11 a. m.[1]

TOP SECRET
CEV MC-8

Participants:	The President
	Prime Minister Churchill
	Secretary Dulles
	Mr. Eden
	Ambassador Makins
	Sir Harold Caccia
	Mr. Bowie
	Mr. Merchant

[Here follows a list of subjects discussed.]

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[1] Churchill arrived at 11 a.m. and he and the President were joined by the others around 11:30; for another account of this conversation, see the entry from Hagerty's diary, *infra*.

The meeting was primarily concerned with the final drafting changes of the declaration subsequently signed and issued by the President and the Prime Minister.[2] Mr. Churchill made available the cable he had received overnight from the Cabinet in which the only point of substance raised was the reference to "self determination". After a little discussion the President accepted Sir Winston's proposed change in the phrase to refer only to "self government".

Mr. Eden raised with Mr. Churchill the suggestion made by Mr. Dulles that Thorneycroft come over to Washington this week-end to discuss East-West trade problems with Governor Stassen.[3] The Prime Minister approved this recommendation and the President telephoned Mr. Stassen to inform him of this approval and to say the British would issue an announcement on the subject from London.

It was confirmed by Mr. Eden that the Prime Minister had now approved the agreed minutes on Egypt, Germany and the establishment of a working group on Southeast Asian matters.[4] He also said that they approved the joint instructions to the British and American Ambassadors in Paris in the revised form worked out the afternoon before.[5]

During the course of the meeting Mr. Eden requested the Secretary's assistance in the matter of releasing certain blocked dollar balances of British firms in China desirous of closing down and bringing their British personnel home. He said that this required a special Treasury license which he understood had from time to time been granted to American firms in a similar predicament. Secretary Dulles said that he had no knowledge of this matter but that he would look into it and see what if anything could be done.

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[2] Document 488.

[3] This suggestion was made at the meeting in Dulles' office earlier that morning; see CEV MC-7, *supra*.

[4] See Documents 484–486.

[5] See Document 487.

No. 483

Eisnehower Library, James C. Hagerty papers

Hagerty Diary, Tuesday, June 29, 1954

In at 8:15.

Throughout the morning we were flooded with press queries as to when the Declaration would be issued.[1] Churchill arrived at eleven and was joined by Dulles and Eden in the President's office. He was in very good form, due I am sure to the success he had made at the Press Club lunch the day before.[2] Apparently the British had cleared the Declaration with their home government overnight and there was very little work to be done on it. The President called me in shortly after the meeting started. Churchill was sitting at the President's desk on his right and the other men were grouped around the desk. The Prime Minister asked me to talk to Mr. Eden and arrange a mutually agreeable release time for American distribution and Commonwealth distribution. Eden, D'Arcy Edmondson, and Colville, the Prime Minister's secretary, went over to one part of the room, and after a very short discussion the British proposed the release be made at 1:30 P.M. which was 6:30 P.M. GMT. I had no objection to that and readily agreed. The British wanted to make sure that the governments of all their Commonwealth received copies of the Declaration prior to its release to the press. After about five minutes we reported back to the President and the Prime Minister that the release time had been arranged satisfactorily to both countries and the President and the Prime Minister signed the document.

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[1] For the text of the Joint Declaration, see Document 488.

Churchill insisted that the President's name be first. One of the original copies which had been signed by Churchill was also signed by the President but he put his signature below Churchill's. Churchill said that this was not correct, that after all Eisenhower was the President of the United States and as head of state his name should always go first. He turned to me and said, "Mr. Hagerty, I want you to promise me that in the release of this document to the press in mimeograph form you will put the President's name first." I agreed to do so and the meeting then broke up at about 12:10. The President escorted the Prime Minister to his car on the south grounds and had the usual photographic session with him. As the Prime Minister left, I returned alone to the President's office with him and he told me that by and large he thought the meetings had gone off very well. As he had said on the first day, he repeated that it was very difficult to keep the Prime Minister on the beam in discussing any one subject for any length of time. The Prime Minister has moments when he does not seem to be entirely aware of everything that is going on. It is merely old age, but it is becoming increasingly more noticeable.

I asked the President if he had discussed the subject of Red China and its admission to the UN with Churchill, and he said that he had. "I just had one conversation on this subject. I told him that it was politically immoral and impossible for the United States to favor the admission of Red China to the United Nations, and suprisingly enough Churchill agreed.

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[2] See Document 480.

He pointed out that at the present time Britain was also at war with Red China and would remain so as long as Red China kept her military forces in Korea. According to the Prime Minister, that was that and we never discussed the situation again."

[Here follows a brief report on the Oppenheimer case.]

No. 484

Conference files, lot 60 D 627, CF 339

Agreed Minute on Egypt [1]

SECRET [WASHINGTON, June 27, 1954.]

The British stated their intention to place their new proposals as discussed in the Washington talks before the Egyptians in the immediate future. The US agreed to follow up the British approach, stressing our support for the British proposals. After the approach has been made, the British plan to make public announcement that they have taken the initiative in resuming discussions, unless it develops in their talks that greater progress can be made on a secret basis. If the British make such an announcement, the US would make a statement welcoming the resumption of negotiations and emphasizing the importance from the US point of view of early agreement.

If the Suez Base talks start satisfactorily the US would begin negotiating with Egypt the necessary cover agreements required before US assistance can be extended. It is understood that these agreements would not be signed prior to signature of the Heads of Agreement between the British and the Egyptians on the Suez Base. Should protracted delays result due to unforeseen circumstances further consultations might be required regarding the extension of US assistance.

The US agreed that, while there should be no legal connection between the Suez Base agreement and the US assistance agreements, a way would be found to indicate to the Egyptians that US assistance would be conditioned upon Egyptian fulfillment of the Base Agreement. This should be accomplished in a manner which would not indicate to the Egyptians an advance distrust that they would in fact not live up to the agreement.

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[1] Attached to the source text was a cover sheet which indicated that it had been approved by Dulles and Eden at their meeting on June 27 (see Document 478) and that it was circulated within the U.S. Delegation as CEV MEMO-12.

The US also agreed to support publicly the principle of freedom of transit through the Suez Canal to be reaffirmed by the British and Egyptians.

No. 485

Conference files, lot 60 D 627, CF 339

Agreed Minute on Germany and EDC [1]

SECRET [WASHINGTON, June 27, 1954.]

The President and the Prime Minister have today agreed that;

(1) Failure of the French Assembly to ratify EDC before recessing for the summer would create an extremely difficult situation in Germany and threaten the position of the Chancellor.

(2) In such event, it would be necessary in the interest of retaining the alignment of the Federal Republic with the West promptly to take such steps as were open to them to restore to the Federal Republic the measure of sovereignty contemplated by the contractual agreements. [2]

(3) Such restoration of sovereignty should be accomplished in a fashion which would as little as possible militate against ratification by France of the EDC in the fall.

(4) Until the French Assembly has in fact recessed without favorable action, the Governments of the United States and the United Kingdom should maintain in full force their public and private support of EDC. They should discourage any public discussion of alternatives.

(5) The action contemplated in (2) above will require parliamentary action in the case of those who participate. For this reason, parliamentary authorization should be sought prior to recess for the summer. The U.S. and U.K will approach the French Government with a view to explaining their purpose in obtaining parliamentary authorizations to place the contractuals into effect, if necessary, in the absence of a concurrent coming into force of the EDC Treaty or French ratification with contractuals. French participation or acquiescence should, however, be sought.

(6) Concurrently with the action necessary to place the contractual agreements into effect, at least as regards the U.K., U.S. and

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[1] The source text was attached to a cover sheet which indicated that it had been agreed by Dulles and Eden at their meeting on June 27 (see Document 478) and that it was circulated within the U.S. Delegation as CEV MEMO–6a.

[2] For documentation on the contractual agreements signed at Bonn on May 26, 1952, see vol. VII, Part 1, pp. 1 ff.

Germany, provisions should be made in agreement with Chancellor Adenauer that Germany will defer for the time being the unilateral exercise by Germany of the right to rearmament.

(7) In the event that the French refuse to participate in the foregoing course of action, they should be told that the Governments of the United States and United Kingdom were resolute in their determination to place in effect, in so far as their relations with the Federal Republic were concerned, the provisions of the contractual agreement to the maximum extent practicable.

(8) The Chancellor should be consulted as appropriate in placing the above program in effect with a view to securing his views and cooperation.

(9) Experts from the United States should meet in a matter of days with British experts in London with a view to working out the legal, procedural and chronological aspects of the program described above. [3]

(10) In the event that the French Assembly before recessing should reject the EDC Treaty, there would then exist all the greater reason to proceed resolutely and expeditiously with the above program. In addition, it would then be necessary for the Governments of the United States and the United Kingdom, together with their partners in NATO, urgently to consult regarding alternative measures for securing a German defense contribution.

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[3] For documentation on the work of the Anglo-American Study Group on Germany, which met in London during July 1954, see vol. v, Part 1, pp. 997 ff.

No. 486

Conference files, lot 60 D 627, "CF 339"

Agreed Minute on Southeast Asia [1]

SECRET WASHINGTON, June 27, 1954.

A joint UK-US study group will be established at once in Washington to prepare agreed recommendations on the following matters: [2]

1. Assuming France-Associated States and Viet Minh reach agreements on Indochina, which the US and UK are willing to respect—

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[1] Attached to the source text was a cover sheet which indicated that it was circulated within the U.S. Delegation as CEV MEMO-8b. The minute was agreed by Dulles and Eden at their meeting on June 27 (see Document 478).

[2] For documentation on the work of the U.S.-U.K. Joint Study Group on Southeast Asia, see vol. XII, Part 1, pp. 600 ff.

a. the precise terms on which the UK and US might be willing to be associated with such agreements; and

b. the basis on which the free Asian and other interested non-Communist states might be brought into association with the agreements.

2. Assuming an Indochina agreement, the terms of a collective security pact regarding Southeast and possibly South Asia, designed—

a. to deter and if necessary to combat Communist aggression by making it clear that it would be met by prompt and united action and would involve grave consequences;

b. to provide machinery for effective cooperation in defense of the area against aggression and for assisting the lawful governments to resist Communist infiltration and subversion;

c. to commit the members to take, in accordance with their constitutional processes, such action as is deemed necessary, including the use of armed force, in the event of Communist aggression covered by the pact;

d. to protect Laos, Cambodia, and that part of Vietnam remaining free after any agreement, whether or not they are free to participate under the terms of the agreement.

3. Assuming no agreement on Indochina—

a. the form of collective defense pact for the purposes outlined in paragraph 2, which would be suitable to the situation;

b. the action to be taken in respect of Laos, Cambodia and Vietnam.

4. The procedure for bringing other interested nations promptly into these negotiations.

No. 487

Conference files, lot 60 D 627, "CF 339"

Agreed Instructions to the Ambassadors of the United States and the United Kingdom in France [1]

SECRET [WASHINGTON, June 29, 1954.]

The US Government/HMG have taken note of the French Government's communication. [2] They appreciate being informed of this expression of the French Government's position in the current negotiations for an armistice agreement on Indochina. The US Government/HMG would be willing to respect an agreement which:

1. preserves the integrity and independence of Laos and Cambodia and assures the withdrawal of Vietminh forces therefrom;
2. preserves at least the southern half of Vietnam and if possible an enclave in the Delta; in this connection we would be unwilling to see the line of division of responsibility drawn further south than a line running generally west from Dong Hoi;
3. does not impose on Laos, Cambodia or retained Vietnam any restrictions materially impairing their capacity to maintain stable non-Communist regimes; and especially restrictions impairing their right to maintain adequate forces for internal security, to import arms and to employ foreign advisers;
4. does not contain political provisions which would risk loss of the retained area to Communist control;
5. does not exclude the possibility of the ultimate unification of the Vietnam by peaceful means;
6. provides for the peaceful and humane transfer, under international supervision, of those people desiring to be moved from one zone to another of Vietnam; and
7. provides effective machinery for international supervision of the agreement.

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[1] The source text was attached to a cover sheet which indicated that it was circulated within the U.S. Delegation as CEV MEMO-7b. Also attached to the source text was a translation of the French *aide-memoire* of June 26, which expressed the French position on the negotiations for an armistice in Indochina. The agreed instructions were approved by Dulles and Eden at their meeting on June 27 (see Document 478); and by Churchill and Eisenhower at their meeting on June 29 (see Document 482). They were transmitted to Dillon on June 28, subject to final approval by the Prime Minister and the President.

[2] The *aide-memoire* referred to in footnote 1 above.

No. 488

Conference files, lot 60 D 627, CF 337

Declaration by President Eisenhower and Prime Minister Churchill

WASHINGTON, June 29, 1954.

As we terminate our conversations on subjects of mutual and world interest, we again declare that:

(1) In intimate comradeship, we will continue our united efforts to secure world peace based upon the principles of the Atlantic Charter, which we reaffirm.

(2) We, together and individually, continue to hold out the hand of friendship to any and all nations, which by solemn pledge and confirming deeds show themselves desirous of participating in a just and fair peace.

(3) We uphold the principle of self-government and will earnestly strive by every peaceful means to secure the independence of all countries whose peoples desire and are capable of sustaining an independent existence. We welcome the processes of development, where still needed, that lead toward that goal. As regards formerly sovereign states now in bondage, we will not be a party to any arrangement or treaty which would confirm or prolong their unwilling subordination. In the case of nations now divided against their will, we shall continue to seek to achieve unity through free elections supervised by the United Nations to insure they are conducted fairly.

(4) We believe that the cause of world peace would be advanced by general and drastic reduction under effective safeguards of world armaments of all classes and kinds. It will be our persevering resolve to promote conditions in which the prodigious nuclear forces now in human hands can be used to enrich and not to destroy mankind.

(5) We will continue our support of the United Nations and of existing international organizations that have been established in the spirit of the Charter for common protection and security. We urge the establishment and maintenance of such associations of appropriate nations as will best, in their respective regions, preserve the peace and the independence of the peoples living there. When desired by the peoples of the affected countries we are ready to render appropriate and feasible assistance to such associations.

(6) We shall, with our friends, develop and maintain the spiritual, economic and military strength necessary to pursue these purposes effectively. In pursuit of this purpose we will seek every

means of promoting the fuller and freer interchange among us of goods and services which will benefit all participants.

DWIGHT D. EISENHOWER
WINSTON S. CHURCHILL

No. 489

033.4111/7-254: Telegram

The Ambassador in Canada (Stuart) to the Department of State

SECRET OTTAWA, July 2, 1954—4 p. m.

1. McKay on behalf Pearson today briefed us on Churchill-Eden visit, [1] making these points:

1. Talks mostly report on Washington visit including attitude toward France and EDC which Canada supports. Pearson intends express strong views to French Ambassador here.

2. Canadians faintly surprised Washington talks produced no agreed program Southeast Asia except working party but Eden appeared satisfied.

3. Churchill unexpectedly raised question Moscow visit to St. Laurent who was unprepared but promptly countered with questions as to value such visit unless we had advance assurance Russian willingness negotiate and intention abide by agreements made. Churchill had no reply to this.

4. Eden hinted imminent Churchill retirement in terms his own need for holiday before assuming greater responsibilities. Pearson predicts around August 1 as probable date retirement.

5. Both Churchill and Eden appeared delighted with Washington visit. Churchill particularly pleased with warmth of welcome at White House and affectionate deference shown him by President. Eden appears to have developed newly cordial relationship with Dulles.

6. Briefing of Heeney by Livy Merchant greatly appreciated and most valuable. [2]

STUART

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[1] Churchill and Eden visited Ottawa June 29-30.

[2] Merchant briefed Ambassador Heeney on the course of the talks on June 28, reviewing in "fair detail" the European aspects and less thoroughly the discussions on Southeast Asia. (Memorandum of conversation, June 28; 033.4111/6-2854)

No. 490

Conference files, lot 60 D 627, CF 337

Statement by President Eisenhower and Prime Minister Churchill

WASHINGTON, June 29, 1954.

At the end of their meetings today, the President and the Prime Minister issued the following statement:

"In these few days of friendly and fruitful conversations, we have considered various subjects of mutual and world interest.

I.

WESTERN EUROPE

"We are agreed that the German Federal Republic should take its place as an equal partner in the community of Western nations, where it can make its proper contribution to the defense of the free world. We are determined to achieve this goal, convinced that the Bonn and Paris Treaties provide the best way.[1] We welcome the recent statement by the French Prime Minister that an end must be put to the present uncertainties.[2]

"The European Defense Community Treaty has been ratified by four of the six signatory nations, after exhaustive debates over a period of more than two years. Naturally these nations are unwilling to disregard their previous legislative approvals or to reopen these complex questions.

"In connection with these treaties, the United States and the United Kingdom have given important assurances, including the disposition of their armed forces in Europe, in order to demonstrate their confidence in the North Atlantic Community and in the EDC and the Bonn Treaties.

"It is our conviction that further delay in the entry into force of the EDC and Bonn Treaties would damage the solidarity of the Atlantic nations.

"We wish to reaffirm that the program for European unity inspired by France, of which the EDC is only one element, so promising to peace and prosperity in Europe, continues to have our firm support.

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[1] For the texts of the agreements signed at Bonn, May 26, 1952, see vol. VII, Part 1, pp. 111 ff.; for the text of the EDC Treaty, signed at Paris, May 27, 1952, see *Documents* (R.I.I.A.) for 1952, pp. 116–162.

[2] Presumably a reference to Mendès-France's investiture speech on June 17 in which he promised to bring the EDC Treaty to a vote.

II.

SOUTHEAST ASIA

"We discussed Southeast Asia and, in particular, examined the situation which would arise from the conclusion of an agreement on Indochina. We also considered the situation which would follow from failure to reach such an agreement.

"We will press forward with plans for collective defense to meet either eventuality.

"We are both convinced that if at Geneva the French Government is confronted with demands which prevent an acceptable agreement regarding Indochina, the international situation will be seriously aggravated.

III.

ATOMIC MATTERS

"We also discussed technical cooperation on atomic energy. We agreed that both our countries would benefit from such cooperation to the fullest extent allowed by U.S. legislation.

IV.

"In addition to these specific matters, we discussed the basic principles underlying the policy of our two countries. An agreed declaration setting forth certain of these will be made available tomorrow." [3]

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[3] Document 488.

No. 491

Eisenhower Library, Eisenhower papers, Whitman file

Memorandum of Discussion at the 205th Meeting of the National Security Council on Thursday, July 1, 1954 [1]

TOP SECRET EYES ONLY

Present at the 205th meeting of the Council were the following: The President of the United States, presiding; the Vice President of the United States; the Secretary of State; the Secretary of Defense; the Director, Foreign Operations Administration; and the Director, Office of Defense Mobilization. Also present were the Secretary of the Treasury; the Attorney General (Items 1–4); the Secretary of Commerce (Item 5); the Director, Bureau of the Budget; the Chairman, Atomic Energy Commission (Items 1–4); the Federal Civil Defense Administrator (Items 1–4); the Chairman, Council of Economic Advisers (Item 4). Present for Item 1 only were the Acting Secretary of the Army; the Secretary of the Navy; the Acting Secretary of the Air Force; Assistant Secretary of Defense Quarles; the Chief of Staff, U.S. Army; the Chief of Naval Operations; the Chief of Staff, U.S. Air Force; the Commandant, U.S. Marine Corps; Mr. Robert C. Sprague, NSC Consultant; the NSC Representative on Internal Security; Messrs. Walters and Hall, NSC Special Staff; Lt. Col. George P. Curtin, USA; Lt. Col. William S. Fultz, USA; Lt. Col. James Bothwell, USAF; Lt. Col. George R. Doerr, USAF; Capt. Thomas P. Wilson, USN; and Capt. Edward E. Grim, USN. Others present at the meeting were Assistant Secretary of Commerce Anderson (Item 5); the Chairman, Joint Chiefs of Staff; Robert R. Bowie, Department of State; Elbert P. Tuttle, Department of the Treasury; the Director of Central Intelligence; the Assistant to the President; Robert Cutler, Special Assistant to the President; the Deputy Assistant to the President; the Naval Aide to the President; the White House Staff Secretary; the Executive Secretary, NSC; and the Deputy Executive Secretary, NSC.

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[1] Drafted on July 2.

There follows a summary of the discussion at the meeting and the main points taken.

[Here follows discussion of agenda items 1 and 2, continental defense and significant developments affecting United States security.]

3. Conversations Between the President and the UK Prime Minister

Secretary Dulles said that the most significant action with respect to Southeast Asia had been the formulation of a joint US–UK position regarding a settlement in Indochina. This joint position had been communicated to the French Government and basic instructions with regard to this position transmitted to our representatives at Geneva. In general this position indicated what we would be willing "to respect" by way of a settlement. In substance, Laos and Cambodia would be left as free and independent states with the capability of maintaining their integrity. Likewise, approximately half of Vietnam would remain non-Communist south of a line drawn approximately along the 18th parallel. In the course of defining this joint US–UK position, differences of view had emerged. The US had hoped to produce a definite agreement with the UK not to accept anything less favorable than this position. Churchill and Eden, on the other hand, had merely wished to state a hope that the French wouldn't settle for anything less than this position. A compromise had been reached, but complete agreement was not achieved and we will continue to take a stiffer line than the British.

With regard to the German problem the important decision was that the US and UK would prepare all the necessary parliamentary procedures required to implement the contractuals in the absence of French ratification of EDC and in the absence of French ratification of the contractuals. The thought here had been to get ourselves legally lined up to carry out this course of action if the French Parliament should adjourn without having ratified EDC.

Secretary Dulles indicated that Mr. Eden at last realizes that there is no really satisfactory alternative to EDC, and he will make every effort to see that it is achieved.

There had been differences between the US and the UK on the issue of rearming the Germans in the absence of EDC. Indeed, there had been differences on this issue between Churchill and Eden. The latter was very strongly opposed to the recreating of a strong national German Army. Sir Winston, on the other hand, quite strongly supported this proposal. The compromise of these differing views appears in paragraph 6 of the Minutes.[2] The President commented that Mr. Eden put particular stress on the danger of reviving a German General Staff.

In answer to a question, Secretary Dulles explained the German point of view regarding rearmament in the event that EDC failed. The Bonn Government was perfectly willing to accept the same limitations on its armed forces as were imposed on the other NATO members, but it would refuse to accept limitations which applied to Germany alone. Accordingly, said Secretary Dulles, it will not be practical from our point of view to try to induce Germany to accept an inferior position in NATO, as Mr. Eden and other likeminded statesmen wished.

The President pointed out that this was Chancellor Adenauer's position. Agreeing with the President, Secretary Dulles said that Adenauer did not desire a separate national army for Germany, but he was also opposed to singling out Germany for a special and inferior military status.

With respect to the general statement of principles issued by the President and the Prime Minister at the conclusion of the conversations,[3] Secretary Dulles said that it indicated some progress along the lines advocated by the United States on the issue of colonialism. There was likewise some progress with regard to our position on the unacceptability of treaties which would compel peoples and nations to permanent Communist servitude. Secretary Dulles said he wasn't sure whether the British realized the full import of these words. They meant that while the United States would not attempt to break such treaties by resort to armed force, we would not allow ourselves to be bound, for example, to take up arms against Rhee in order to protect North Korea should the armistice be broken.

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[2] See Document 485.

[3] *Supra.*

In the area of atomic energy matters, nothing of great significance had transpired. . . .

With regard to the basic attitudes of the US and the UK, differences had emerged, said Secretary Dulles, which it was essential that the US take into account in the future. Such alternative courses of action for the United States suggested by Mr. Sprague in his report on continental defense—namely, to build up a very high order of defense against Soviet atomic attack, or resort to preventive war, or build up conventional forces and arms to match Russia's—were none of them open to the United Kingdom. Since, therefore, they can find no answer to the terrible threat of atomic attack, they feel compelled to promote the idea of peaceful coexistence with the Soviet Union. This feeling is widely shared both by the other free countries of Western Europe and by the free Asian states. US policy must plainly recognize and take account of this fact.

Dr. Flemming inquired of Secretary Dulles whether there had been any progress during the conversations with regard to a regional grouping for the defense of Southeast Asia against Communism. Secretary Dulles replied that there had been progress, and that joint conversations on the subject would start this week.[4] The British had initially proposed to reactivate the Five-Power staff conversations,[5] but we had opposed this proposal. Thereafter, agreement had been reached to pursue this subject by means of a series of talks. The first of these, among the ANZUS powers, had already taken place. It would be followed by subsequent conversations with the Philippines, Thailand, etc. The position of the French in this situation was extremely difficult to understand since, in effect, the French had "gone underground". Mendès-France was plainly trying to pressure the United States to urge the Associated States to agree to whatever settlement the French made with the Communists in Indochina. We had refused to be party to this.

The National Security Council:

Noted an oral report by the Secretary of State on the results of the conversations between the President and the Prime Minister of the United Kingdom.

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[4] For documentation on the work of the U.S.-U.K. Joint Study Group on Southeast Asia, see vol. XII, Part 1, pp. 600 ff.

[5] See the report of the Five-Power Military Conference, *ibid.*, p. 554.

[Here follows discussion of items 4 and 5, economic guidelines for fiscal year 1956 and East-West trade controls.]

S. Everett Gleason
Deputy Executive Secretary

Index for Parts 1 and 2
appears at the end of Part 2.